



# Centralised Strategic Network Plan (CSNP)

SSE Energy Businesses' response to  
Ofgem's consultation, August 2023

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# Executive Summary

## About SSE

SSE is a UK-listed and headquartered company operating across the energy markets in the UK and Ireland and is actively progressing expansion of renewable energy across Europe, East Asia, and the USA.

SSE has interests across the GB energy system, including a diverse electricity generation portfolio, and in electricity networks where it is owner of the electricity transmission network in the north of Scotland and electricity distribution networks in the north of Scotland and southern central England. We are investing far more than we are making in profit to deliver clean, homegrown energy that will bolster energy security, cut emissions, and make energy more affordable over the long term – with plans to invest more than £24bn in Great Britain alone by 2030 to help deliver the UK Government's ambitious targets.

This response presents the views of SSE's Energy Businesses<sup>1</sup>, which encompass SSE Renewables (including its Solar & Battery business), SSE Thermal, Distributed Energy and Energy Portfolio Management.

### SSE Energy Business' position:

SSE's Energy Businesses welcome the opportunity to respond to the CSNP consultation. We are generally supportive of the proposed CSNP as a whole system strategic planning approach that will assess both the short-term and long-term status of the GB networks. We note, however, that a strategic plan of this scope will likely require several years to develop fully and, therefore, it may be closer to 2030 before the CSNP functions fully at pace. It is crucial that the FSO has access to the resources and support mechanisms required to enable it to implement the CSNP as envisioned. We are also aware that political processes and competing priorities may adversely affect the development and implementation of the CSNP. Therefore, it is key that interim measures to identify and drive investment in network capacity are effective given the scale and urgency of the challenge.

As per the House of Lords Economic Regulators' Select Committee recommendation<sup>2</sup>, success criteria must be set for the CSNP by Ofgem ahead of time to ensure that meaningful post-implementation evaluation can be undertaken in the future. The regulatory framework should highlight clearly where responsibilities will lie for ensuring that the CSNP delivers optimal outcomes, including penalties for any sub-optimal performance. The framework should also clearly highlight where responsibility does not lie so that investors in generation are not exposed to penalties or commercial risks caused by sub-optimal performance of responsible parties outside of generators' control. A clearly defined risk and reward framework would help the FSO, TOs and other non-TO network owners to realise the cost efficiencies in proactive network investment, which would in turn enable network users to realise the benefits of low carbon electricity while constraint volumes are maintained to economically efficient levels.

In view of the scale of the challenge of introducing the CSNP, coupled with the fact that the FSO itself will not long since have been established, we believe it is unwise (at least at this stage) to expand the FSO's

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<sup>1</sup> SSEN Transmission will submit a separate response.

<sup>2</sup> The House of Lords Select Committee on Economic Regulators report  
<https://publications.parliament.uk/pa/ld200607/ldselect/ldrgltrs/189/18904.htm#a7>

scope to include non-ESO activities. This would simultaneously overstretch the FSO and fail to recognise the technical and non-technical expertise that already resides within other parties. We would advocate for the alignment of roles to reflect where the existing expertise lies, at least until there is a more convincing case for change.

We believe that it is imperative for Ofgem to shift its focus from minimising the need for new network to championing the *optimisation* of investment in both new and existing networks. If GB is to meet its Net Zero targets, significant network investment must be delivered at pace and at significant scale. To achieve this, it is key that the regulatory framework facilitates network companies' timely access to funding and enables them to efficiently secure the supplies and resources they need in the global marketplace. The scale of network investment required necessitates a change in regulatory behaviours and Ofgem must recognise that the damaging consequences of under-investment in our networks greatly outweighs the potential risk of over-investment.

Therefore, we welcome many of the recommendations made within the Electricity Network Commissioner's (ENC) Report<sup>3</sup>, particularly the introduction of the Strategic Spatial Energy Plan (SSEP) to 'bridge the gap between Government policy and Network Development Plans' (ENC Report, p.18). As stated above, we believe that a lack of efficient regulatory mechanisms will seriously jeopardise the delivery of network investment. As such, we strongly support the ENC's recommendation that following the endorsement of the CSNP by Ofgem as an initial needs case for a programme of projects, no further regulatory approval is required to justify project need. This is consistent with the fundamental change in behaviour necessary to move away from the over-emphasis on network companies demonstrating (from scratch) the need for investment and shifting the focus to recognising the harm and long-term costs of under-investment in network infrastructure.

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<sup>3</sup> [Electricity Networks Commissioner: companion report findings and recommendations \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1144441/electricity-network-commissioner-companion-report-findings-and-recommendations.pdf), August 2023

# Response to Consultation Questions

## ***Q1. Do you agree with our broad regulatory approach to establishing the FSO's obligations to deliver the CSNP products?***

We agree that this broad regulatory approach is appropriate as an initial position for establishing the FSO's obligations in delivering the CSNP projects. Given the scale of industry change ongoing, and competing governmental priorities, we would advocate for the introduction of an interim approach to bridge the gap between now and the full mobilisation of the CSNP.

## ***Q2. What are your views on the types of system need that we have proposed are covered by the CSNP? Are there any gaps?***

We agree that the inclusion of the types of system need proposed by Ofgem will provide the FSO, TOs and non-TO third parties with a more consolidated view of the status of the transmission network than is currently available.

## ***Q3. Do you agree that the time horizon for system need assessment should be extended to 2050?***

We agree that the time horizon for system need assessment should be extended to 2050 and become a rolling target to ensure network planning extends beyond 2050. As stated above, SSE's Energy Businesses welcome the ENC's report, particularly the extension of network planning beyond ten years in the SSEP.

## ***Q4. Do you agree that the FSO should move to a year-round nodal assessment of system need as part of the CSNP?***

It is our understanding that this is not too dissimilar to the current arrangement. Therefore, we broadly support the continuation of this assessment under the CSNP. However, as with any nodal assessment where the signals may be volatile, unpredictable, and short-lived, it is key that the FSO uses the outputs appropriately to ensure that this method of assessment does not damage or undermine existing and future project investment.

We would recommend that a collaborative approach with the TOs is undertaken by the FSO when assessing fit-for-purpose modelling solutions, rather than unilateral decisions being made at this early stage.

## ***Q5. We welcome stakeholders' views on how the FSO can communicate effectively about future system needs?***

We would support the FSO using a range of communication tools to provide stakeholders and end users with regular updates and opportunities to input into the development, implementation, and maintenance of the CSNP. We would welcome a much greater volume and granularity of information being made available during the network planning process(es) to parties seeking to make significant investment decisions based on the outcomes of those processes; founded upon a robust, consistent, and reproducible methodology; and with clear scope for open and meaningful stakeholder engagement. It is important the CSNP process is carried out according to the very best practice to draw on the best expertise across the industry. This is key to minimising the risk of errors in assumptions, interpretation or judgement which could otherwise cause substantially more expensive costs to the system, cost to customers, and put at risk the delivery of government policies such as Net Zero.

***Q6. What are your views on the FSO establishing minimum design requirements for high-level option designs and are there areas where exceptions are needed?***

We are minded to agree that establishing minimum requirements for certain aspects of high-level options may help to provide a consistent level of detail for TOs, non-TO third parties and the FSO when designing new projects.

***Q7. Do you have any views on our proposals for considering environmental and community impacts as part of high-level design of options?***

As stated above, we would caution against early over-expansion of the FSO's remit to include non-ESO activities. We suggest a more prudent approach at this stage is to adopt a collaborative approach with the TOs (who already conduct key environmental and community engagement).

To the extent that this can be done effectively at this early stage, we are minded to agree that considering potential environmental impacts as part of the high-level design of options could be of value, particularly to identify any known prohibitive issues in the local area(s). In theory, the early identification of such impacts should help to improve the efficiency of project delivery by the delivery body supply chain(s). We note and are minded to agree that improved community dialogue used in conjunction with clear design standards as cited by the Electricity Commissioner's report would benefit transmission project delivery.

***Q8. Do you have any views on our proposal for the FSO to independently decide which network needs it may lead the high-level design of?***

We believe that it would be more appropriate to consider this topic once roles and responsibilities (including accountabilities) have been more clearly defined and established. Notwithstanding this, we would caution against the use of the word 'independent' in any of this work. Key to the success of the CSNP will be meaningful collaboration across all stakeholders.

We note the use of the phrase 'excessive generation' in the rationale for the above question and we question its appropriateness given the role that generators must play in the Net Zero journey. If we are to change behaviours to drive the scale of investment necessary, we believe it would be more appropriate to use more balanced phrases, for example 'surplus generation', in this context.

***Q9. Do you have any views on our proposal for the FSO to set out how and when third parties can be involved within the CSNP?***

We agree that the FSO should clearly establish the approach and assessment process setting out how and when third parties can contribute to the CSNP and how their proposals will be assessed against traditional TO proposed options. Any associated processes and requirements for those processes should be made publicly available. We would also advocate the importance of wider stakeholder input into the CSNP (including those parties which are either already in the process of connecting or connected to the network).

There is a wide range of network solutions that other parties could provide beyond those that resolve thermal constraints and the FSO should consider these options when developing the CSNP. Access to strategic planning outputs could enable third parties to engage with customers in different regions and decarbonise the system more quickly.

We note that the increasingly competitive nature of global supply chains is cited by the Electricity Networks Commissioner's report as a significant challenge to the decarbonisation of the GB system. The report recommends that not only should TOs establish long-term relationships with third party providers, but that contractors should be engaged in the project delivery process earlier than is currently usual. We would endorse these recommendations. A clear pathway established by the FSO via the CSNP for third parties to engage and propose options for project delivery would support this.

**Q10. Do you have any views on our proposals on data exchange to enable the implementation of CSNP?**

We broadly agree with the proposal that the ESO should review the existing codes to ensure they support the exchange of information that is needed to implement the first CSNP. We also agree that the enabling of third-party participation should be a key consideration in this review.

It is key that data is as transparent as possible and made publicly available in a way that is both timely and accessible. Ideally, this would include assumptions, modelling results and diagnostic data associated with CBA modelling.

**Q11. Do you have any views on our proposals regarding the principles to be followed in the CSNP decision-making framework?**

We broadly agree with the principles proposed for the CSNP decision-making framework. The opportunities for the TOs, non-TO network companies and wider stakeholders to participate in and review the results of the decision-making framework are essential and should be publicly accessible.

Beyond the principles proposed by Ofgem, we are 'open to new non-traditional network options' where these optimise the utilisation of new network capacity and drive best value to customers. However, it is important that these non-traditional network options are considered complementary to investment in new network capacity rather than distinct options and do not slow down or detract from this investment. Non-traditional network options should be explored in conjunction with or as the first stage of investment in new network capacity.

**Q12. Do you have any views on our proposals on the decision-making framework for selecting potential projects to address longer-term system needs?**

We broadly agree with the proposals put forward for the basis of the decision-making framework. As already stated, the opportunities for the TOs and wider stakeholders to participate actively and meaningfully in the decision-making framework are particularly crucial.

**Q13. Do you have any views on the decision-making framework to bring potential projects into the 'delivery pipeline' for nearer-term needs?**

Whilst we broadly agree that it is reasonable to expect that the FSO should use its own judgement on the status of projects, we would anticipate that it should also engage meaningfully with the TOs and wider stakeholders to ensure its decisions are informed by the wider context of the network (including system operability requirements) when assessing the delivery pipeline in a certain area.

**Q14. We would welcome views on our proposal to not re-evaluate projects that are in the delivery pipeline, and whether a materiality trigger is appropriate and what criteria might be used.**

We would strongly welcome a mechanism which provides a greater degree of certainty concerning project delivery than the current annual review process under NOA. We believe that it is important to accept a degree of anticipatory investment and that to do so would mitigate the need to remove existing projects from the delivery pipeline.

A materiality trigger that considers the wider costs and benefits of removing and/or replacing a project in the delivery pipeline (rather than, for example, solely the project's costs) would help to ensure that any decisions to remove or change projects in the delivery pipeline were properly and robustly assessed. Notwithstanding this, if the TOs can form long-term relationships based on portfolios rather than individual



projects with their supply chains as advocated by the ENC's report, we could expect the costs of adding or removing projects from the delivery pipeline to reduce.

***Q15. Do you have any views on our proposal on inclusion of environmental and community impacts in the CSNP CBA?***

As per our answer to Q7, we would caution against the early over-expansion of the FSO's remit to include non-ESO activities. We would suggest that a collaborative approach with the TOs (who already conduct key environmental and community engagement) is utilised.

***Q16. Do you have any views on our proposal for the CSNP to include a methodology for assessing and taking forward system operability solutions?***

As per our answer to Q7, we would caution against the early over-expansion of the FSO's remit to include activities which do not currently fit within the ESO's responsibilities. We would expect the FSO to consult relevant stakeholders (including TOs and non-TO network owners) when defining the methodology for identifying longer-term operability solutions to ensure all options are considered.

***Q17. Do you agree with our proposal for the ESO to review its current approach to assessing short- and long-term solutions, and for the FSO to set out its approach in the CSNP Methodology?***

We agree that innovative non-network solutions should be explored where these optimise the utilisation of new network capacity and drive best value to customers. However, it is important that these non-traditional network options are considered complementary to investment in new network capacity rather than distinct options and do not slow down or detract from this investment. Given the scale of the challenge, investment in new network capacity must remain the primary objective. We support the need to adapt the solution to the parameters of the network issue: for example, not discounting longer term options if that is the most appropriate means of resolution.

***Q18. Do you have views on our proposals for FSO to develop capabilities to consider different combinations of options and how this should be implemented?***

We broadly agree with this proposal.

***Q19. Do you agree with our proposal to introduce a requirement, as part of the new CSNP licence condition, for the FSO to make recommendations on additional interconnection and OHAs opportunities between GB and other markets?***

We broadly agree with the proposal for the FSO to make recommendations on additional interconnection and OHAs opportunities between GB and other markets, but we would need to see more detail on this before providing firmer feedback.

***Q20. Do you agree with our proposal that the FSO should use reasonable endeavours to support relevant stakeholders as part of the offshore asset development process?***

We agree with the proposal that the FSO should implement lessons learnt from the HND process and continue collaborating with relevant stakeholders (including TCE, CES, relevant marine organisations, and Ofgem) to ensure effective coordinated planning of the offshore transmission network ahead of need.

As proposed, this should include both:

- Supporting early identification and development of future seabed leasing areas and associated transmission infrastructure requirements (including both network design and asset classification).
- Supporting early strategic marine environmental assessments.

Both should be carried out ahead of the relevant seabed leasing auctions to allow interested developers to submit informed bids. This approach has already been adopted by the ESO for the Celtic Sea project development areas included in the HND FUE and should be replicated and refined for future HND interactions.

In relation to the proposal that the CSNP Governance document should set out an 'expectation' that the FSO should use 'reasonable endeavours' to engage with and support relevant stakeholders, this requirement should be strengthened to ensure the FSO is formally identified as a central coordinator which is ultimately responsible for achieving the outcomes identified above.

Specifically, we suggest that instead of having a reasonable endeavour expectation in the CSNP Governance document, there should be formal licence conditions placing an obligation upon the FSO to use best endeavours to engage with and support relevant stakeholders as part of this process.

***Q21. Do you agree with our proposal that the FSO assess third-party options under the CSNP and recommend delivery by competition where proposed solutions meet the relevant competition criteria?***

In principle, we agree that third party options should be assessed under the CSNP for potential delivery recommendation via competition, **providing** this does not slow down the delivery of much needed investment in new capacity critical to achievement of Net Zero. However, as per our response to Q9, we are mindful of the recommendations set out in the ENC report in relation to competition. Importantly, the third parties delivering those options should be subject to the same rules and responsibilities as Transmission Owners, and the network solution options taken forward must maintain the security and reliability of supply already provided by the GB's transmission networks, as well as accelerate the delivery of Net Zero targets and provide demonstrable benefits to consumers, businesses, and electricity generators.

***Q22. What are your views on whether changes to the SQSS or obligations on licensees are needed to support the CSNP – where specifically are these changes needed and when do they need to happen by?***

We would require more information on this topic to be able to provide feedback.

***Q23. Do you agree that the FSO should evaluate the climate resilience of the long-term whole-system CSNP?***

We agree that the FSO should evaluate the climate resilience of the long-term whole-system CSNP.

***Q24. Do you agree with the proposed position on the treatment of connections in the CSNP?***

We note that Ofgem refers to the risk of over-investment on the rationale for this question and we would reiterate the need to change this perspective: we believe the consequences of under-investment are far more damaging to the GB system than the potential for over-investment at this stage.

Any surplus network capacity is likely to be short-lived and quickly taken up by new generation projects seeking accelerated network connections. By contrast, recent experience has demonstrated the high cost



to customers caused by erring on the side of under-investing in the network, in terms of higher volumes of constrained low carbon energy unable to reach customers, requiring higher volumes of expensive unabated gas to be burned at a critical time.