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Sent by email to: RIIOElectricityTransmission@ofgem.gov.uk

Dear Konark, Kelvin, Anna and Joanna

Centralised Strategic Network Plan: Consultation on framework for identifying and assessing transmission investment options

Thank you for the opportunity to respond to Ofgem's 28 July 2023 consultation on how the Future System Operator (FSO) will identify future system needs and the associated options to develop the Centralised Strategic Network Plan (CSNP).

We support several aspects of Ofgem's position on Stages 2-4 of the CSNP, such as with extending the time horizon and evaluating environmental and community aspects at an earlier stage.

Although we welcome the expanded scope of the CSNP, this must be broadened further to provide a true holistic view. The strategic drivers for system need must not be limited to the 'larger' technologies only such as individual nuclear plant or offshore wind. The CSNP should capture accumulations of distributed generation, such as solar, which currently face long-delays connecting due to transmission constraints.

Also, to ensure that the CSNP truly reflects whole system needs, more work is needed on the interdependencies between the electricity transmission network and other systems, including both other vectors such as hydrogen, and the distribution network including the proposed Regional System Planner (RSP) role which may also be assigned to the FSO.

Finally, Ofgem must ensure that the transition to the enduring approach does not lead to any delays in the delivery of necessary new infrastructure.

This response is non-confidential and can be published by Ofgem. We respond to the individual consultation questions below.

Question 1: Do you agree with our broad regulatory approach to establishing the FSO's obligations to deliver the CSNP products?

We broadly agree that a regulatory framework consisting of FSO CSNP licence conditions, a CSNP governance document owned by Ofgem and a CSNP methodology owned by the FSO (but amendable by Ofgem) is appropriate.

We understand that Ofgem will consult on FSO CSNP licence conditions at a later date.

Ofgem should explore what licence changes will be needed to DNO and TO licences – e.g., around information provision and data sharing - to ensure the right information flows to the FSO to support the CSNP processes. Similarly, Ofgem should also consider if obligations need to be added to network licences in other vectors (e.g., gas and hydrogen).

There is a key interdependency with the Regional System Planning (RSP) role that may be assigned to the FSO. It's essential that regional needs are reflected in the CSNP to provide a comprehensive holistic approach.

Question 2: What are your views on the types of system need that we have proposed are covered by the CSNP? Are there any gaps?

The CSNP must cover a wide range of potential drivers for network reinforcement. If multiple system needs are left out, then there is a risk that the CSNP underestimates future needs and delivery of reinforcement is inefficient.

The current ETYS/NOA framework has focused on thermal constraints as the main driver for green-lighting new grid. The failure to consider wider needs under the current framework has been a contributing factor to the long connection delays faced by most renewable generation projects.

We support the CSNP capturing “strategic connection exercises”, however with these being limited in Footnote 26 to “technology targets set by the UK government” there is a risk that other strategic requirements could fall through the gap.

To avoid perpetuating the failings of the current process, the CSNP must be much more specific on how it captures the aggregate impact of individual connections, including that of distributed generation on the transmission network. Chapter 7 Section 6 suggests that the FSO could include “an accumulation of connections in a given area” in the CSNP. “Accumulation” should be better defined and must be sufficiently granular to capture, for example, developers seeking to connect multiple onshore solar farms in a DNO region where these have a transmission impact.

We question the exclusion of fault level issues from the CSNP. Fault level headroom is holding back new generation connections. Fault level issues that require major longer-term reinforcement – such as supergrid transformer (SGT) and circuit breaker replacement - should be considered.

Question 3: Do you agree that the time horizon for system need assessment should be extended to 2050?

We support the CSNP looking out 20+ years to 2050. The consultation does not say how that time horizon would be extended i.e., in 5-years' time would it be extended to 2055? A solution would be to start with a rolling long-term outlook of 20-25 years.

The Electricity Network Commissioner (ENC) report suggested two CSNPs – a shorter-term plan covering a 10-year period, and a longer-term plan covering a minimum of 25 years.

Question 4: Do you agree that the FSO should move to a year-round nodal assessment of system need as part of the CSNP?

A year-round outlook is more suited to the current system which is starting to face different challenges outside of winter peak demand conditions. A year-round assessment will add detail and accuracy and provide more opportunities for commercial solutions as explained in 4.21.

The nodal approach will allow a more granular analysis. The availability of more detailed information for network uses and developers, will allow them to make more informed decisions on where to site their projects, resulting in better quality connection applications to the FSO.

Question 5: We welcome stakeholders' views on how the FSO can communicate effectively about future system needs?

Current communications with stakeholders are focused around publication dates, or when the ESO presents on specific research areas such as longer-duration electricity storage.

We'd welcome a more constant and consistent dialogue between the FSO and stakeholders on the CSNP. This would allow the FSO to test its assumptions with market participants and investors. This should be in addition to the ESO's ad-hoc engagement on specific topics, such as longer-duration storage, carried out by the FES team, which should continue.

We recommend the FSO holds regular quarterly webinars and with accompanying written updates to stakeholders. The FSO could also present to individual trade associations, which would allow a more focussed discussion around individual technologies.

Question 6: 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 broadly agree with the proposals, which are roughly consistent with the Energy Network Commissioner's (ENC) recommendations for earlier and greater standardisation and consistency of design. Ofgem should consider if it needs to go further to accommodate the recommendations in the ENC's report.

Question 7: Do you have any views on our proposals for considering environmental and community impacts as part of high-level design of options?

We broadly agree with this approach. Earlier and more transparent examination of these issues should be beneficial to all stakeholders and help avoid later project delays. As in our

response to Q6, Ofgem should consider if it needs to go further to accommodate the recommendations in the ENC's report

Question 8: 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?

There should be some guidance on when design options would be FSO-led, so we would welcome Ofgem setting out its specific expectations on this within its CSNP Guidance document.

Question 9: 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 broadly support this approach and would welcome increased transparency in this area.

Question 10: Do you have any views on our proposals on data exchange to enable the implementation of CSNP?

The position set out should be extended to cover DNOs so that the FSO is taking truly whole system decisions on the reinforcements needed to meet our net zero goals, including accommodating generation from low carbon assets connected to the distribution system which has a transmission impact.

Question 11: Do you have any views on our proposals regarding the principles to be followed in the CSNP decision-making framework?

We agree that the CSNP decision-making methodology should be: transparent; based on open stakeholder engagement; adaptive to change; and robust, consistent and reproducible.

We share stakeholder concerns expressed in previous responses that the level of transparency around the NOA needs improvement.

Question 12: Do you have any views on our proposals on the decision-making framework for selecting potential projects to address longer-term system needs?

We don't disagree with Ofgem's position on this, as long as this approach can capture whole-system and regional system needs.

Question 13: Do you have any views on the decision-making framework to bring potential projects into the 'delivery pipeline' for nearer-term needs?

It is difficult to comment on this until the FSO has established its assessment methodology or Ofgem has set out expectations and guidance in the CSNP Governance document.

Question 14: 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 agree that this would be an improvement on the current uncertainty issues with the NOA process. We agree the risks of stranded assets etc, could be mitigated with an appropriate materiality trigger. This must be set high enough to avoid recreating the NOA uncertainty and delivery-delay issues Ofgem is seeking to avoid.

Question 15: Do you have any views on our proposal on inclusion of environmental and community impacts in the CSNP CBA?

We support environmental and community impacts being included in the CSNP CBA, so that these elements are considered earlier in the process. This should contribute to a more holistic assessment earlier on. We support the proposed use of the HM Treasury Green Book guidance.

Question 16: Do you have any views on our proposal for the CSNP to include a methodology for assessing and taking forward system operability solutions?

We agree that the FSO's CSNP Methodology should include longer-term operability needs in the CSNP. Ofgem must ensure that the methodology delivers the full transparency and clarity stakeholders need around how the different options are appraised.

Question 17: 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?

Yes – we welcome this proposal.

Question 18: 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 support the FSO providing advice and guidance on the development of the wider energy system, and the example of the siting of future hydrogen electrolysis plants is a good example as these will need timely access to the electricity grid. As noted in Ofgem's consultation position, further engagement with stakeholders will be needed on how this capability is shaped and then used.

Question 19: 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?

Yes.

Question 20: 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 do not disagree with this, and we would expect the FSO to take a holistic view of the GB electricity network and similarly support the integration of other technologies including those linked to hydrogen and accumulations of assets connecting to the distribution system.

Question 21: 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?

We agree with the proposal, but the indication that competition will be used must be as early as possible, in line with the Electricity Networks Commissioner recommendations.

Question 22: 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 are not able to advise on the engineering aspects of the SQSS or the issues identified by the ESO and TOs. However, more broadly, we get the impression from network companies that uncertainty about ‘what good looks like’ when planning network investment proposals has worked against timely delivery of new infrastructure.

Many of the Electricity Network Commissioner’s recommendations revolve around agreeing design principles earlier in the process. If there is evidence that the current licence conditions and SQSS could create confusion that slows network development, then there could be merit in reviewing them.

Question 23: Do you agree that the FSO should evaluate the climate resilience of the long-term whole-system CSNP?

We agree the FSO should evaluate climate resilience in the longer-term CSNP, including the risks and stress tests mentioned in 7.35.

Question 24: Do you agree with the proposed position on the treatment of connections in the CSNP?

We fully expect that the actual connections process for customers – such as the provision of individual connection offers and quotes, including connection dates – will sit outside of the CSNP and be run by the ESO’s connections team.

However, we expect any material reinforcements that are needed for to those individual customers to connect to be included within the CSNP.

Section 6 (paras 7.40-7.55) gives the impression that the CSNP will only cover transmission works that relate to the connection of significant individual connections, such as new nuclear plant and offshore wind. This is wrong. Multiple different technologies and asset sizes are currently facing a 10–15-year connection delay due to transmission works. This includes generation projects connecting at distribution level that must join the transmission queue. The CSNP must take a holistic and balanced view of system needs. The CSNP must not be explicitly or implicitly skewed towards a couple of specific technologies, because that would miss out a significant percentage of the market.

I hope you find this response useful. If you would like to discuss anything in further detail, please contact me at helen.stack@centrica.com.

Yours sincerely

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