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Your ref

Our Ref

Date

23rd June 2023

Contact / Extension

Stephanie Anderson

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By email: RIIOElectricityTransmission@ofgem.gov.uk

Dear Joanna,

Centralised Strategic Network Plan: Consultation on Stage 1 – modelling future supply and demand

We welcome the opportunity to respond to the FSO supply and demand modelling consultation. We are supportive of the FSO's role in modelling future supply and demand, and believe there is significant benefit to clear, net zero compatible pathways being developed to inform future investment in the energy system.

We have set out our views on the proposals relating to the Future Energy Scenarios (FES) below, which is a critical publication for SPT as a transmission network owner, supporting future investment recommendations, in accordance with STCP 16-1, to deliver the network required for net zero. We are therefore committed to continuing to work with Ofgem and the ESO to ensure that the FES process is fit for purpose and provides value to its stakeholders. However, we welcome further clarity on all parties' responsibilities across the FES Guidance and FES Methodology.

Strategic Pathways

We support the proposal that the FES will set out strategic pathways, rather than scenarios, where this can enable clearer investment signals for future network needs. We agree that a single short-term pathway is appropriate to provide confidence to invest in the short term, however this single pathway period should not be so long as to limit the scope of the FES to reflect the most appropriate range of credible future pathways. The consultation proposes that an indicative scope for the short-term pathway could be 7-12 years. We welcome clarity on the frequency and scope of any revisions that may take place within this period, if at all.

We support the move to ensuring that all strategic pathways are net zero compliant, provided that a counterfactual is still provided as currently proposed. This will enable recommendations to be made and common features identified across a range of compliant pathways, whilst ensuring comparisons can be made with the counterfactual scenario. Furthermore, we believe this is aligned to current amendments to the Energy Bill giving the regulator a statutory net zero duty.

Time Horizon for Pathways

We agree that in the short-term the pathways should run to 2050, however this should be kept under regular review. While it is not possible to predict future policy goals, the approach in Future Energy Scenarios whereby the most challenging scenario has been aligned with prevailing Government policy, when combined with the Network Options Assessment (NOA) process, has led to the current position in relation to an urgent need for investment in new transmission capacity and infrastructure.

Treatment of High Impact Low Probability Events

We agree that the FES modelling should be capable of testing data extremes. This will enable key stakeholders to fully understand and mitigate the potential high impact, low probability risks associated with the various pathways.

Timing of FES Publications

In principle, we are supportive of a major FES publication in the year prior to the CSNP, with minor updates in the interim. However, there is currently very limited detail as to the scope of the 'major' and 'minor' publications, so it is difficult to assess the value of this proposal. The publication of the CSNP will be a key industry decision. We believe a publication interval for the CSNP (and therefore the major FES) of five years would be appropriate to ensure that sufficient certainty is provided to enable network development, and the highly significant workload associated with assessing all load-related investment is effectively and efficiently managed. An interim 'minor' CSNP could also be published with any critical updates. This could also be aligned to price control periods to support regulatory reviews. Care will be required however to ensure that the benefits of adopting a more strategic approach to network planning, moving away from the existing annual FES – ETYS – NOA cycle, are not undermined by annual 'minor' FES and CSNP updates.

Regional Strategic Pathways

We agree that there is a need for a market-neutral, cross-vector body in the GB energy system, who can identify, assess and co-ordinate how demand for energy is likely to develop at a regional level. The current FES support the ESO and the network companies to plan network investment at a transmission level, and a similar cross-vector publication at a distribution level could lead to greater coordination across the energy system. We note, however, that DNOs already prepare the Distribution Future Energy Scenarios, so any proposed additional regional scope of the FES should consider how regional stakeholders can work together to support alignment in assumptions and scenarios.

Regarding local energy system operation more broadly, we support the premise of local and national arrangements for network planning needing to work together to optimise the system as a whole. In principle, we are supportive of establishing a Regional System Planner role, however, we believe Ofgem must set out how the roles and responsibilities of the RSP function will be introduced, ensuring that existing network operator roles are not duplicated. We do not believe that the current ESO has the local knowledge or engineering expertise to fulfil this role at a regional level. However, we do believe the ESO has a key role to play as GB's master 'system architect', directing how different vectors can work together to optimise GB's systems needs.

SPEN does not support Ofgem's designation of the Future System Operator (FSO) as its lead option to take on the proposed Regional System Planner (RSP) and market facilitation roles. Please see our

response to the consultation on the future of local energy institutions and governance on 10 May 2023¹ for our detailed views.

Incorporating Network Constraints into the Modelling

To fully reflect the costs and benefits to consumers, we agree that short to medium term network constraints should be included in the FES modelling. It does not make sense for strategic pathways to be identified that are functionally undeliverable, and the time it takes to deliver network infrastructure within pathways should inform their design. We also agree that longer-term strategic pathways should assume that reasonable network reinforcements can be made to facilitate a range of pathways. Given the time it takes to identify, plan, design, consent, and deliver transmission projects, network constraints should be modelled for at least a 7 to 10 year period within the FES.

We are committed to continued engagement with Ofgem regarding the design and principles for the stages of the CSNP. Please don't hesitate to reach out to me should you wish to discuss any of the issues raised in this letter.

Yours sincerely,

A handwritten signature in black ink that reads "S. Anderson".

Stephanie Anderson

Head of Regulation and Policy
SP Energy Networks

¹ [Consultation: Future of local energy institutions and governance | Ofgem](#)