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Ms Joanna Gaches
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22nd June 2023

Dear Ms Gaches,

Statkraft welcomes Ofgem's consultation on principles to shape the modelling of future supply and demand by the FSO as part of its role in developing the CSNP.

The response that follows is based on Statkraft's understanding of the market, formed as Europe's largest producer of renewable energy. Active in the UK since 2006, to date we have invested more than £1.3 billion in the UK's renewable energy infrastructure and employ more than 450 highly skilled people across the country. Our broad and growing portfolio includes solar, wind, hydropower, and batteries as well as innovative grid stability and green hydrogen projects. As a company that invests 100% of its growth in renewables, we are proud that every one of these projects plays an important role in helping reduce reliance on expensive fossil fuel imports, increasing the UK's resilience and economic competitiveness.

We are also proud to supply British businesses with zero carbon, 100% renewable electricity through our commercial supply business, Bryt Energy, and to support the roll-out of electric vehicles across the UK through our EV charging company, Mer. Alongside this our UK trading team is number one in the long-term offtake and flexibility markets, providing a route to market for projects across the UK.

Perhaps most important for context is Statkraft's ambition for the future, and our view of that renewables are the solution not a solution. It is with this in mind that we agree with Ofgem that the methodology behind the modelling for the FES, and its communication should be reviewed so that the report takes a more strategic approach to supporting investment in the UK's energy infrastructure. As requested, we have focused our response on the specific questions asked and kept answers brief. We would be happy to discuss them in greater detail should that be helpful.

Yours Sincerely,

Naomi Harris, Head of UK Public Affairs, Statkraft

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Q1. Do you agree that we should move towards pathways instead of scenarios, to provide greater clarity on the type of investments required under the CSNP?

Yes.

Statkraft's view is that one of the principal reasons for establishing the Future System Operator is to address the response to meet the Net Zero targets which was not considered as part of the licence condition during privatisation and as such is not in NGESO's current remit. An issue with the current Future Energy Scenarios process is it does not act to drive this response; it records the effect of the proposed behaviours on this response.

In the current FES arrangement, the scenarios allow for the possibility of failing to meet Net Zero targets. This is unhelpful; a clear steer on what is required is necessary.

Q2. Do you agree that there should be a single forward view of the near term for all pathways?

We agree in part with this question.

By adopting a pathway approach rather than a scenario approach it is correct to consider where we are and how we want to respond to meet the Net Zero targets. It follows that there should be only one view of where we are with increasing uncertainty with time. However, the fixed near-term pathway should only be a year or two in length.

Industry knows from experience that changes in policy and regulations, which can happen in very short spaces of time, can have profound consequences for the delivery of infrastructure and modelling assumptions. A case in point is the ban on onshore wind in England – a politically motivated decision which had consequences for development across the sector.

The politicisation of energy policy is not something that is likely to end any time soon and so while a longer-term timeframe would be preferable it is not possible to look beyond this timeframe with the same confidence.

Q3. Do you agree with our proposal to have Net Zero compliant pathways (number to be determined by FSO), with a separate counterfactual demonstrating the scale of activities and investment that falls short?

We agree with the first part of the question, but we disagree that it is necessary to have a counterfactual published separately or otherwise.

As discussed in our response to Q1, we see the approach of only including Net Zero compliant pathways as consistent with the FSO's role.

We see no need to develop a counterfactual. It risks maintaining the idea that doing nothing is an acceptable way forward, of confusing the message, and of being the focus for those who argue against action.

It is important that the FSO engages with other stakeholders in establishing the number and scope of compliant pathways and that these are driven by techno-economic considerations including a no new nuclear build scenario. Such a pathway that sees no more nuclear built after Hinkley Point C is important to publish in order to aid discussion and decision making,

recognising that we are now almost 13-years on from the Government approving eight new reactors that should have been operational from 2025.

While only compliant pathways should be published by the FSO, stakeholders should be given the opportunity to develop their own pathways based on shared data.

Q4. Do you agree that the pathways should run to 2050, and if not, why not?

We agree that modelling much beyond 2050 is not likely to address the key challenges of the investments that need to be made now. A rolling 25-year modelling horizon may also be beneficial.

Q5. Do you agree that the model should develop the capacity to include extreme data ranges when requested of the FSO in its role as strategic advisory body?

No.

The requirement for consideration of the effects of extreme events in the electricity infrastructure is already covered through the requirements in the Electricity Safety, Quality and Continuity Regulations and proposed infrastructure should be designed (and costed) in accordance with these regulations.

Q6. Do you agree with our consultation position on modelling network constraints?

Yes.

We consider that current network constraints are one of the major impediments to achieving Net Zero. Only by including these in the studies can a realistic pathway be developed.

The timescales for moving to an unconstrained network should reflect the time necessary to make changes to the existing network. In particular, the difficulty of getting new infrastructure passed through the current planning processes.

Q7. Do you agree with our consultation position, and do you have a view on which data principles should be possible to adopt for the first FES?

We very much welcome the approach on data transparency.

We would like to see the steady-state network GB network model released into the public domain (and we note that EirGrid currently released such a model for the Irish system). We recognise that individual developers may hold data confidential for the dynamic performance on their plant which we understand the FSO would respect under its licence conditions.

Q8. Are there specific stakeholder needs cases for publication of data, including the format of outputs?

The principal data are for the FSO to share its views on costs of specific technology over time and to allow stakeholders to input to this process.

Q9. Are there specific data outputs associated with the FES that we should mandate?

All data inputs to the modelling should be published. As noted in response to Question 3, while only compliant pathways should be published by the FSO, stakeholders should be given the opportunity to develop their own pathways based on shared data.

In the spirit of transparency and improving the confidence in the methodology that sits behind the FES we also recommend that the FSO reviews previous FES reports and provides a summary of performance i.e. how close to the mark the FES was in its pathway matching reality. Openness in past performance – success and areas for improvement – will increase the FSO's credibility among stakeholders.

Q10. Do you agree that regional and/or industrial hub pathways should be included in the FES?

Yes.

We consider that regional considerations within the overall pathways is consistent with consideration of network constraints. However, there may be challenges in how this is done with local authority and DNO boundaries not aligning perfectly.

Q11. Do you agree with our proposal for a 'major' FES in the year prior to the main CSNP publication, with smaller annual updates in the intervening years?

No.

We believe that there is a risk of overcomplicating the process with too much subjectivity on what qualifies as an extraordinary event that would warrant departure from the three-year cycle.

Moreover, a three-year cycle makes it more likely to be subject to pressure as stakeholders put time and energy in seeking to 'influence' the flagship event. A yearly cycle with proper resource given to setting up the team and process will make a far more effective long-term planning tool and will build in efficiency.

The ETYS should be published annually.

Q12. Do you consider that longer-term evolution of energy supply and demand modelling should head in the direction outlined above and if so how?

No.

It is not clear what fully optimised system means. Different stakeholders have different view on what matters to them e.g. lowest cost or highest security or best quality of supply. Part of the purpose of the FSO is to facilitate connections for developers and network users so the network will inherently develop in a decentralised way.