

FAO: David Beaumont

By email: FSO@ofgem.gov.uk

2 February 2024

Dear David,

Policy direction for the Future System Operator's regulatory framework

Transmission Investment (TI), as one of the UK's leading independent transmission companies, manages one of the largest offshore electricity transmission portfolios. TI is also developing two GB interconnector projects. We have successfully participated in the NG ESO Pathfinder programme, securing contracts to provide stability services at four sites in the two recent stability tenders. We are a strong advocate of introducing competition to deliver electricity transmission faster and cheaper.

We welcome the opportunity to offer our views on the policy direction for the regulatory framework for the Future System Operator (FSO). We agree in principle with the objectives Ofgem has set out for the FSO regulatory framework, however, the principle of moving to a "lighter touch" regulatory approach raises some concerns as we move through a period of significant industry change.

The FSO will be taking on new responsibilities and rapidly acquiring capability to support the delivery of its new roles, including onshore early competition tenders, and strategic network planning. Therefore, we would strongly reinforce the importance of ensuring there is a robust regulatory framework surrounding the FSO, especially in the early stages of being established, to support transparent and effective assessment of its ability to execute its duties to industry and the interests of consumers. We would be concerned with an FSO performance regulation approach which relies on ex-ante reporting only, especially given the importance of the role the FSO will be undertaking. There remains an important role for Ofgem, supported by industry engagement (e.g. public consultation, customer surveys, etc), to interrogate the decisions and choices as the FSO develops into its new role.

An example of an area of new capability for the FSO is in the execution of an early competition model for investment in the electricity transmission network. There is substantial work to do and the FSO will have a key role in designing, implementing and running the early competition tender process – ensuring the development of sustainable and vibrant competitive market: e.g. by ensuring a visible and full pipeline of opportunities to support regular tenders, will ensure that participants can deliver the expected benefits of improved efficiency in investment and innovative solutions to network needs. Ensuring there is a robust regulatory framework that defines responsibility and measures success appropriately will be crucial to holding the FSO accountable in achieving net zero at lowest cost to energy consumers.

Finally, we would like to reiterate the importance of ensuring that any regulatory framework provides sufficient opportunities for all stakeholders, especially smaller or new entrants, to be supported in making their voice heard by the FSO. This is of upmost importance when considering the number and complexity of the new responsibilities the FSO. Hearing from a broad range of stakeholders, whether incumbent or potential new entrant will help to ensure the FSO supports and delivers the necessary change in the energy sector to meet the Government's and Ofgem's strategic objectives. We would support a fair and transparent means of ensuring all stakeholders are enabled and supported to engage with the FSO as part of any future regulatory framework.

We hope the contents of the letter are helpful and we would be pleased discuss any of the points raised.

Yours faithfully,



Mark Fitch
Corporate Development Director