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Sent by email to: FWP@Ofgem.gov.uk

Dear Enterprise Portfolio Management Office,

RE: Consultation on Ofgem's Forward Work Programme 2024/25

Thank you for the opportunity to comment on Ofgem's Forward Work Programme (FWP) for 2024/25 and on Ofgem's refreshed strategic framework on behalf of the SSE Group¹.

In 2025/26, we will see a new government in power. Whilst we wait to see who forms it and the policies that they put forward, we know that the target to decarbonise the electricity system by 2035 is fast approaching and could even be brought forward to 2030. This is a significant task, with billions of pounds of investment required in both networks and systems, and there is no time to waste.

2024 is also the year the National Energy Systems Operator (NESO) comes into being, with a variety of responsibilities and tasks transferring over from Ofgem to the NESO. It is envisioned that this will enable faster deployment of investment in the infrastructure required to achieve net zero targets. As the National Infrastructure Commission (NIC) put it in their Second National Infrastructure Assessment², GB requires "pace, not perfection" to make the progress required in delivering the infrastructure that we need. Making decisions slowly or delaying decisions has a cost.

We would like to see that the final FWP reflect how Ofgem plans to use the advent of the NESO to speed up the delivery of infrastructure, and more generally how Ofgem can implement a "pace, not perfection" mindset over the upcoming year. Furthermore, whilst the draft FWP outlines the many areas of work that Ofgem covers within its broad remit, for most work items there are no stated milestones or commitment to timelines. This in turn reduces the document's effectiveness as a work programme or as a plan more broadly and makes the comments industry and consumers provide on Ofgem's resource prioritisation for the 2024/25 year less useful to Ofgem than we might wish. Moreover, it reduces the scope for stakeholders to hold Ofgem to account for delivering the regulatory decisions needed in time to advance critical net zero investments.

We appreciate the opportunity to comment on Ofgem's refreshed strategic framework. To the extent this is articulated around three broad strategic priorities, we agree these seem right: shaping a retail market that works for consumers; enabling infrastructure for net zero; and establishing an efficient, flexible energy

¹ The SSE Group includes seven business units – SSE Renewables, SSE Thermal, SSE Energy Solutions, SSEN Distribution, SSEN Transmission, SSE Enterprise, and SSE Energy Markets.

² [The Second National Infrastructure Assessment | National Infrastructure Commission | October 2023](#)

system. However, we find that under each of these headings, the priorities seem bound in today's thinking rather than where we need to go. We would encourage Ofgem to be bold when setting out its multi-year strategy due in the spring of 2024 and articulate where it needs to help the energy sector to get to.

In our response we have focussed on overarching strategic points that we believe Ofgem should implement, followed by a series of policy areas that we believe should be prioritised and deprioritised, and then concluded with our views on the proposed refreshed strategic framework. The supporting rationale and summary for each of these areas follows this cover letter.

As ever, we would be more than happy to discuss our response further with you. We remain committed to continue working collaboratively with Ofgem in our shared ambition to deliver net zero.

To confirm, our response is not confidential.

Yours sincerely,

Inge Hansen

Director of Group & Markets Regulation

Q1) We would welcome your views on our refreshed strategic framework and proposed programme of work for 2024/25.

Our views on this year's FWP are split across three sections: overarching strategic points, examples of prioritisation and deprioritisation for 24/25, and comments on the refreshed strategic framework.

1) Overarching Strategic Points

We believe there is significant value in reviewing this year's FWP from a strategic perspective, rather than responding individually to the suite of work programmes detailed. In order to ensure that the FWP provides value for industry, regulators, and consumers, we have provided a series of strategic recommendations for the FWP to incorporate into the final publication.

- **There should be clear identification of Ofgem's priorities for 24/25.** For industry to work collaboratively and efficiently with the regulator, it is essential that we have a shared view of the priority work areas. There is no clear indication where Ofgem's relative priorities lie between different projects and activities, or where work that might otherwise have been taken forward has been deprioritised. As a result, we are concerned that the long list of topics in the FWP will not be achievable. Whilst we appreciate the commitment to publish a multi-year strategy in spring 2024 to assist with prioritisation, we consider that the FWP should be refined before it is finalised to highlight Ofgem's core priorities and indicate areas that will be deprioritised.
- **The FWP should be a plan with indicative dates assigned to work areas.** To maximise the usefulness of the FWP to external stakeholders, we would expect to see indicative dates for projects and ongoing activities to be set out on a quarterly basis. The current FWP focuses on general policy aims and does not give a tangible sense of when regulatory outputs may be forthcoming, or the form they may take. We would recommend that, prior to finalisation, the FWP document should incorporate a table with planned milestone and publication dates, and the document as a whole could be shortened significantly. Unforeseen events may mean the planned dates cannot be achieved, but this should not prevent an attempt being made to present a view at the start of each year based on the information available at the time of publication.
- **There should be accountability and measurable deliverables of success within the FWP.** To ensure the FWP is delivering value, each annual publication should be reviewed retrospectively by external parties, such as select committees. This will allow for a comparison of progress in work areas over the year against the areas identified at the beginning of the year. Without prioritisation and detail on timings, accountability for the success of the FWP publication cannot be effectively conducted. There should also be transparency of progress; Ofgem should commit to publishing a progress update on a quarterly basis.
- **The FWP should reflect a mindset shift towards agility and pace to ensure progress against net zero targets.** Across the entire suite of planned activities, we would expect Ofgem to focus on those areas that are of greatest benefit to consumers and to delivering a zero-ready energy system

as quickly as possible. Ofgem has previously adopted a high-scrutiny approach to short-term policy areas, inadvertently reducing focus on long-term objectives and impacts. Ofgem should ensure that planned activities do not focus on moving slowly to ensure perfection and therefore impede the delivery of enduring benefits to come in the future.

- **The publication of the Strategy and Policy Statement (SPS) on Energy Policy in Great Britain must be reflected in regulatory plans.** The SPS publication will outline the priority energy policy work areas by UK Government, it is therefore vital that Ofgem will ensure these priorities are reflected in their own plans for the year ahead. With the publication of Ofgem's multi-year strategy due in spring in 2024 and with Ofgem's statutory duty expanded to include net zero and economic growth commitments, industry requires further clarity on how the direction set by government will be reflected in the plans of the regulatory body.
- **Regulatory resource must be able to maintain pace with industry developments.** It is essential that regulatory bodies have adequately skilled resource that are capable of being deployed in an agile manner to emerging issues for the coming year ahead. The quantity of skilled resource required within regulatory bodies must remain appropriate to industry as the sector continues to grow, and we are supportive of the increased estimated expenditure that reflects the significance of Ofgem's role for the year ahead.

2) Examples of Priority and De-priority Work Areas

Prioritisation is key to delivering a successful work plan for the year ahead. Considering the large number of policy areas included in the current FWP draft, we have provided below suggestions on work areas that should be prioritised and deprioritised to ensure Ofgem can deliver the highest possible impact in the year ahead.

PRIORITISATION

- **Continuing to enable the expansion of electricity network infrastructure critical to delivering net zero objectives.** To deliver the ambitions of the Transmission Acceleration Action Plan (TAAP)³, Ofgem must maintain facilitating the continued expansion of electricity networks via the price control mechanisms and new acceleration schemes where appropriate. The upcoming RIIO3 price control settlement must continue to prioritise energy and network security, alongside establishing funding routes for strategic (CSNP), regional (TO) and local (DNO) investment. Significant UK Government targets and milestones, including 50GW of offshore wind by 2030, are dependent on regulatory levers enabling transmission level network infrastructure to be expanded at pace. Ofgem must continue to focus on investor confidence and regulatory stability to ensure investability alongside enduring financeability. This is particularly pertinent in the context of

³ [Transmission Acceleration Action Plan: Government response to the Electricity Networks Commissioner's report on accelerating electricity transmission network build | Department for Energy Security & Net Zero | November 2023](#)

elevated investment requirements in the near term to facilitate the government's net zero and energy security targets.

- **The National Energy System Operator (NESO) is established with clear governance, roles and responsibilities.** Industry requires further clarity on how accountability and responsibility in key areas will be defined between Ofgem and the National Energy System Operator (NESO) and existing entities. With the expectation that NESO “day one” is summer 2024 and this FWP covers 24/25, industry requires clarity on the NESO immediate priorities and the associated accountability framework to ensure the new body is effective in the delivery of their duties.
- **Targeted regulatory intervention is required to secure and expediate the design stage of Holistic Network Design (HND) offshore coordinated network.** Before Ofgem can consider the development and delivery of coordinated offshore tender frameworks, targeted interventions are required to the regulatory framework to first complete the Detailed Network Design (DND) of the coordinated network. Without targeted changes, design and delivery of the co-ordinated element of the HND is at risk of delay in the face of material technical, commercial, financial, and regulatory challenge.
- **Connection reform initiatives must be delivered at pace whilst ensuring they facilitate the investment required for net zero.** The momentum built across 23/24 must continue with connection reform, whilst ensuring that the connection action plan does not directly reduce the investment levels required for net zero. Whilst we are committed to delivering the actions outlined in the Connections Action Plan, care must be taken to ensure that tactical short- and medium-term solutions do not create unintended consequences and realistic expectations are set.
- **Cap and floor regime to enable investment in long-duration storage.** We note the Department for Energy Security & Net Zero's consultation on the policy framework to enable investment in long-duration storage, and the proposal for Ofgem to lead the delivery of the cap and floor regime adapted for long-duration storage⁴. While the consultation is still ongoing, given Ofgem's role and experience with the cap and floor regime for interconnectors, we would welcome recognition by Ofgem in the FWP of their role in facilitating the development and likely delivery of the cap and floor regime for long-duration storage to enable timely and efficient delivery of this regime.
- **Ensuring climate resilience is incorporated into policy decision making.** The resilience of energy infrastructure to climate change is essential and should be informed by the assessments of the third National Adaptation Programme (NAP3)⁵. Ofgem must therefore ensure that the

⁴ [Long duration electricity storage consultation: designing a policy framework to enable investment | Department for Energy Security & Net Zero | January 2024](#)

⁵ [Understanding climate adaptation and the third National Adaptation Programme \(NAP3\) | Department for Environment Food & Rural Affairs | July 2023](#)

mechanisms that deliver investment in securing climate resilience are appropriate and flexible when utilising regulatory tools such as price controls for networks.

DEPRIORITISATION

- **Offshore Transmission Owner (OFTO) cost assessment processes.** Noting that government is currently consulting on the future framework for the OFTO regime as a whole⁶, we consider there is a strong case for reducing some of the burden placed on generators as part of the OFTO cost assessment process. There are already strong incentives for wind farm developers to build their links to shore quickly, reliably and efficiently. Given that there is a link between the value assigned to the asset upon transfer to the OFTO and the amount recouped via TNUoS charges, the overall benefit to consumers of an intrusive cost assessment process is limited.
- **Early competition model.** Given the need to accelerate investment in transmission infrastructure to 2030 and beyond, we question the prioritisation of competition in onshore transmission. Competition for transmission network solutions could introduce uncertainty and risk delays to achieving decarbonisation targets, as we have set out in previous responses. We therefore do not think that competition in onshore networks is consistent with the long-term priority of facilitating infrastructure investment.
- **Code governance reform.** We welcome code reform that examines opportunities for clarity and simplification. However, in particular for the STC and SQSS codes, we note that their panels work well, have good input from transmission owners and are effective in determining the safety and reliability of the transmission network. We see the code reform process as requiring input from multiple stakeholder groups and will therefore need adequate time for preparation, consultation and discussion as well as a good appreciation of how ongoing changes such as the introduction of the NGESO might affect the reform. It would therefore seem practicable to prioritise other areas of work before progressing with the work in this area.

3) Refreshed Strategic Framework

We broadly agree that the proposed refreshed strategic framework covers the correct areas. We are more interested within the content of each strategic area, with concerns on the prioritisation of each work stream and sequentially how Ofgem intends to consult on these areas. Broader concerns are outlined below:

- **The strategic focus for enabling infrastructure for net zero should be expanded.** We agree in principle with the work areas in this section but believe they should instead be phrased in terms of where Ofgem needs to lead the industry to. In our view this can be listed as: a) regulatory pace and agility to enable investment in net-zero infrastructure; b) expand electricity networks and promote strategic investments to meet demand on time; c) facilitate low carbon generation, storage

⁶ [Offshore Transmission Owner Regime: Call for Evidence | Department for Energy Security & Net Zero | November 2023](#)

and flexibility to complement a renewables-based system; d) enable hydrogen and CCUS production, transport and use; and e) ensure security of supply.

- **Demand side response to enable net zero is missing.** Supply side generation alone will not allow progress against net zero targets, and demand side response is crucial in ensuring that consumers are brought along in this transition. Detail on facilitating the scale of demand side response that is required is currently missing and should be highlighted within the strategic priorities.