

James Santos-Mansur
10 S Colonnade
Canary Wharf
London
E14 4PU

26 April 2024

Dear James,

SSEN Transmission response to SHET Early Construction Funding application and corresponding proposed modification to Special Condition 3.41

This response is prepared on behalf of SSEN Transmission¹, part of the SSE Group, responsible for the electricity transmission network in the north of Scotland.

We welcome the opportunity to respond to Ofgem's minded-to decision on our first early construction funding (ECF) application for eight of our 'Accelerated Strategic Transmission Investment' (ASTI) projects. Our ECF requirement represents the activities required far earlier in the construction phase, relative to a typical execution approach under other regulatory uncertainty mechanisms, to support accelerated delivery. ECF activities are crucial to enable delivery in 2030, supporting the UK and Scottish Governments' vision to transition towards low carbon generation. The ECF work we sought approval for within our first submission will ultimately benefit GB consumers through safeguarding the overall energisation date for projects, which reduces the risk of incurring additional constraint costs for the consumer.

ECF facilitates strategic land purchases and early enabling work which help to reduce project uncertainty, enable timely design progression and de-risk overall programmes. Furthermore, ECF is essential for conducting early contractor engagement and securing supply chain delivery for long-lead items, which allows for acceleration of projects ahead of receiving planning permission. If ECF is not approved, there is a risk to the main works contracts and delivery dates cannot be safeguarded. We therefore welcome Ofgem's assessment that our ECF request be approved in full.

We have enclosed responses to the questions within Appendix 1. We look forward to continuing in our engagement with Ofgem on our projects as they progress through the ASTI process, including further ECF submissions in due course. Should you wish to discuss any aspect of our response further, please do not hesitate to get in touch.

Yours sincerely,

Kirsty Mills
Senior Regulation Analyst

¹ Following a minority stake sale which completed in November 2022, SSEN Transmission is now owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan Board. SSEN Transmission encompass the licenced entity Scottish Hydro Electric Transmission Plc Registered in Scotland No. SC213461
Scottish and Southern Electricity Networks is a trading name of: Scottish and Southern Energy Power Distribution Limited Registered in Scotland No. SC213459; Scottish Hydro Electric Transmission plc Registered in Scotland No. SC213461; Scottish Hydro Electric Power Distribution plc Registered in Scotland No. SC213460; (all having their Registered Offices at Inverlmond House 200 Dunkeld Road Perth PH1 3AQ); and Southern Electric Power Distribution plc Registered in England & Wales No. 04094290 having their Registered Office at No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH which are members of the SSE Group www.ssen.co.uk

Appendix 1: Consultation Questions

Q1. Do you agree with our minded-to position to provide ECF for the eight projects?

Yes, we agree with the ECF approval and believe this will ensure project programmes are delivered on time. If our full ECF request is not approved, early construction work cannot proceed, there is a risk to the main works contracts and delivery dates for our ASTI projects cannot be safeguarded.

We would note an error on page 12 of the consultation document in regard to the early procurement commitments summary for PSDC and Western Isles. At present, the consultation suggests that the Western Isles request is for full construction of the project, and that PSDC will cover the awarding of initial works contracts and development of crossing agreements. The procurement commitments within our ECF submission for both projects only related to the cost of placing Capacity Reservation Agreements to secure contractor commitment for HVDC cable and convertor. We would note that we do intend to include initial works contracts within an upcoming ECF request; we anticipate that there will be associated cancellation liabilities with these and will provide further detail on this within the forthcoming submission.

We would therefore suggest that the current wording included for both PSDC and Western Isles is removed and replaced with: *'Placing of Capacity Reservation Agreements (alongside the associated cancellation liabilities) to secure contractor commitment for HVDC cable and convertors.'*

For the avoidance of doubt, the figures within the consultation document are correct.

Q2. Do you agree with our proposed modification to adjust ASTIA_t in Appendix 1 of SpC 3.41?

Yes, we welcome Ofgem's proposed modifications in Appendix 1 of SpC 3.41.