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Dear Jon,

**Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects**

Thank you for the opportunity to respond to Ofgem's consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 (tCSNP2) projects. We welcome ongoing engagement and believe Ofgem's framework provides a sound pathway upon which to progress tCSNP2<sup>1</sup> projects in support of shared Net Zero objectives.

At SSEN Transmission<sup>2</sup> we are committed to delivering a network for net zero. We are fully aligned with the recommendations stemming from National Grid ESO's (NESOs) tCSNP2 publication and will do our part to support the delivery of a decarbonised energy system. We also recognise the varying levels of project maturity and challenges associated with developing a regulatory framework against a background of significant industry reform and evolving policy. It is positive to see Ofgem's framework recognise this and seek to mitigate these risks on behalf of consumers.

We are supportive of Ofgem's proposed multi-track approach to funding and consider that the objectives and design principles are in keeping with the Transmission Acceleration Action Plan<sup>3</sup> (TAAP). Regulatory certainty is a crucial part of any framework seeking to accelerate the deployment of infrastructure. We therefore welcome Ofgem's assessment concluding that several of our projects will enter the 'delivery track' and attract pre-construction funding. We are also supportive of Ofgem's Initial Development Funding (IDF) allowing for further refinement of less mature options to ensure the tCSNP2 Refresh is an optimal network plan (whilst also recognising the potential for incremental transmission reinforcement as a result of UK Government's proposed Clean Power Plan 2030). We have provided further detailed comments on Ofgem's mechanisms within the supporting annex.

We agree with TOs being accountable for the outputs associated with delivering a zero-carbon energy system. It is appropriate that any delivery incentive (and penalty) is appropriately calibrated and recognises the factors that are

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<sup>1</sup> [Beyond 2030 | ESO \(nationalgrideso.com\)](#)

<sup>2</sup> We are SSEN Transmission, the trading name for Scottish Hydro Electric Transmission. Following a minority stake sale which completed in November 2022, we are now owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan Board.

<sup>3</sup> [Accelerating electricity transmission network deployment: Electricity Networks Commissioner's recommendations - GOV.UK \(www.gov.uk\)](#)

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outside of the reasonable control of TOs. We note Ofgem's concern relating to a lack of transparency around the assumptions made in developing Earliest In Service Dates (EISD) and will work together with other TOs and NESO to develop a standardised methodology. However, we do not agree with Ofgem's view that current EISDs are conservative. We have developed our inputs to the NESO's tCNSP2 using the latest available intelligence including construction programmes, supply chain and outage availability to develop realistic proposals. We also removed regulatory approval from the critical path in keeping with TAAP recommendations. We will continue to engage with Ofgem as project development continues to provide further information relating to our EISDs and to support incentivisation on future projects in the next price control where there is consumer benefit in doing so.

A critical element in TOs being able to commit to EISDs is and will be our ability to secure the supply chain in a timely manner. We are working with the TOs and Ofgem to develop the advanced procurement mechanism ahead of consultation later this year. Development of this mechanism will be crucial in both de-risking delivery of tCNSP2 projects and allowing TOs to develop robust delivery dates leading to appropriately calibrated incentives. Ofgem state the mechanism is designed to act in a similar fashion to Early Construction Funding (ECF) as available through the ASTI regime. We note however that the scope of ECF is wider than that being considered for the advanced procurement mechanism (which also includes strategic land purchase and enabling works). Both elements are crucial in seeking to de-risk and maintain the likelihood of timely delivery. We strongly consider that, at this stage, Ofgem should not explicitly rule out access to ECF via the tCNSP2 framework until more clarity is available in relation to advanced funding (or ECF) for land and early enabling works via development of the RIIO-3 price control.

In developing the RIIO-3 price control Ofgem has been clear, it wants transmission companies to deliver infrastructure at pace to enable the transition to net zero. It wants to ensure electricity supplies remain resilient to physical, financial, climate and cyber shocks while consumers and network users receive a high quality and reliable service at an efficient cost. In our view, a successful RIIO framework will deliver a package of activity that is not only financeable but investable. The financial parameters extend beyond the totex and business plan for RIIO-3 and include the uncertainty mechanisms including the expenditure on ASTI, tCNSP2, Clean Power Plan 2030 etc. As a result, our view of the financial framework required for RIIO-3 is considerate of the scale and complexity of investment, the changing risk profile, and the macro-economic environment. We are strongly encouraging Ofgem to use this lens when considering investability and ensuring that the cost of capital is globally competitive, reflective of the macro-economic environment, the scale of the delivery challenge, as well as the fundamentally altered balance of risk and return.

Lastly, we acknowledge Ofgem's proposal to include PPUP and NNNC in existing ASTI projects (BPNC). While this aligns with our initial suggestion, we seek further discussion with Ofgem to address the increased risk to timely delivery (relative to the point at which ASTI was introduced) due to the expanded scope, which may affect our ability to meet the original baseline programme.

Please find our answers to the individual consultation questions in the annex below. As noted above, we welcome the ongoing engagement with Ofgem and the opportunity to discuss the points raised within our response at the earliest opportunity.

Yours sincerely,

**Duncan Wilkie**  
SSEN Transmission

## **Annexe 1 – Consultation questions**

### **Consultation Section 3 – Provisional assessment of the ESO's tCNSP2 recommendations**

#### ***Q1. Do you agree with our assessment of the tCNSP2 and the risks that we have identified?***

We welcome the consultation and generally agree with the assessment presented and the risks identified. The transmission planning process is our shared pathway to Net Zero and seeks to manage and mitigate many of the external factors Ofgem has alluded to within the consultation document. The background against which transmission investments are recommended needs to strike an appropriate balance. We cannot afford to 'do nothing'. We therefore have no option but to take decisions now based on what is certain and allow development of those projects to proceed. It is therefore welcome Ofgem has recognised this certainty in relation to much of SSEN Transmission's projects emanating from tCNSP2.

As noted above, we do not agree with Ofgem's view that our current EISDs are conservative. We developed our inputs to the NESO's tCNSP2 using the latest information and intelligence available to us across construction programmes, supply chain and outage availability, to develop realistic proposals. We also removed regulatory approval from the critical path, in keeping with TAAP recommendations, and assumed an ASTI-style framework would apply to tCNSP2 recommendations. The ASTI framework acted as key enabler in allowing TOs to respond and accelerate delivery in accordance with NESO's NOA7 Refresh Required In Service Date(s) as opposed to the original EISD put forward by the TOs. In developing our tCNSP2 EISDs, we assumed an ASTI-style framework (i.e. regulatory approval not being on the critical path) and so tCNSP2 EISDs already represent acceleration relative to pre-ASTI timelines. Furthermore, those EISDs that were given a proceed critical signal from the ESO have already been determined as optimal relative to later delivery. We therefore do not agree that further assessment of acceleration is required nor relevant – acceleration is now the status quo in order to deliver against the tCNSP2 recommendations.

In keeping with the above, if we are to meet our recommended EISDs, certainty is key. It is our understanding those projects in the delivery track will be included in the network baseline, and therefore will not be reassessed, in the tCNSP2 Refresh expected in early 2026. This is crucial as we enter the consenting phase and begin to consult with external and impacted stakeholders who can understand and appreciate that a needs case is established and will not be revisited.

In paragraph 3.6 the tCNSP2 Refresh is set out with a publication date of 31st January 2026; it also states that the tCNSP2 Refresh will consider newly identified network needs. These network needs will emerge from ongoing processes, namely: INTOG, Clean Power 2030, HND Impact Assessment Process, HND FUE Impact Assessment Process, Celtic Sea as well as the use of the FES 2024 scenarios. We are strongly of the view that all these processes need to conclude, and their impact be fully considered by NESO in terms of new system requirements, before the tCNSP2 Refresh can commence.

We would be happy to work collaboratively with Ofgem, the ESO and the other TOs to determine a timeline and scope for the tCNSP2 Refresh but we do expect NESO as the owner of all the ongoing processes to take the lead in proposing how this will be resolved cohesively. We request clarity from Ofgem on which of the two stipulations would be preferable to loosen if the need emerged; delay the Jan 2026 publication date to allow the ongoing processes to resolve; or commence the tCNSP2 Refresh analysis ahead of conclusion of ongoing work accepting that the tCNSP2 Refresh may not capture all network needs. Our view is that the January 2026 date should be flexible as the tCNSP2 Refresh will be a substantial undertaking and it should give confidence in the outputs – this is only possible if the background used for the analysis captures the output of all ongoing processes.

## **Consultation Section 4 – Proposed regulatory framework for tCNSP2 projects**

### ***Q2. Do you agree with our proposals for the “Development track”?***

Yes. The activities expected to be undertaken during the proposed IDF PCD period are reflective of those activities we would typically undertake ahead of submitting options to the ESO for assessment in the NOA or more recently the tCNSP2.

Historically such activities have been funded through baseline allowances, however, the scale and pace of network development has far exceeded forecasts since introduction of RIIO-T2. We therefore welcome the proposed 0.5% of totex allowance as an initial development fund; this will ensure that the TO's are appropriately funded to continue exploring options that best delivery consumer value and net zero ambitions.

Due to the complexity and volume of information to be assessed, concluding tCNSP2 Refresh by January 2026 will be challenging. As this is the date to which the IDF PCD output is calibrated to, we encourage Ofgem to remain flexible in its approach to deciding whether an output is met.

We would also welcome additional clarity from Ofgem as to the process for projects moving from the development track into delivery. Insofar as the tCNSP2 Refresh is concerned, we have assumed the following broad process:

1. March 2024: tCNSP2 identifies a project which enters the development pathway.
2. By June 2025: The TOs develops this project to a point consistent with the IDF PCD and the TO submits this to NESO for further assessment as part of the tCNSP2 Refresh.
3. January 2026: NESO confirms the outcome of tCNSP2 Refresh.
4. Date TBC: Ofgem confirms a project is mature enough (i.e., Level 3 as per NESO definitions) to automatically receive PCF.

In relation to point two above, it is not immediately clear whether Ofgem would expect TOs submit a Basic PCD Report<sup>4</sup> and have this approved by Ofgem prior to the project then being confirmed as being eligible for entry into the tCNSP2 Refresh assessment process. We are concerned this could create additional and potentially unnecessary regulatory burden on Ofgem and TOs.

In relation to point four, we also suggest that Ofgem consider a mechanism to transition projects from the development track into the delivery track in an expedited manner without the need for further consultation or assessment where it meets the required maturity status.

### ***Q3. Do you agree with our proposals for the “Delivery track”?***

Yes. We strongly welcome proposals for a delivery track for projects that are mature enough to commence pre-construction activities. Confirmation of project need and competition exemption through this track, as well as up-front pre-construction funding (PCF) allowances, gives the TOs the right signal and comfort to progress at pace and enable the earliest possible delivery.

We are supportive of 2.5% of forecast totex being provided as an up-front PCF, substitutable, use-it-or-lose-it allowance. This is a continuation of the approach taken during ASTI and therefore minimises regulatory burden associated with the introduction of new mechanisms. We strongly encourage Ofgem to consider a PCF reopener mechanism in order to fully align with the ASTI position. The 2.5% baseline was calibrated in ASTI based on historical outturn costs, and we expect to exceed that position on our ASTI portfolio. This is particularly pertinent if Ofgem choose to maintain the consultation position of classifying early enabling works as PCF in the absence of an explicit early construction funding mechanism, as those activities are not reflected in the 2.5% baseline position.

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<sup>4</sup> See Chapter 6 of Ofgem's [Price Control Deliverable Reporting Requirements and Methodology Document](#) | Ofgem

We recognise that the advanced procurement mechanism is currently being developed, and that work is ongoing between Ofgem and the TOs to fully develop what activities will be captured. Until we have certainty on how that mechanism will operate and when it will be implemented, there needs to be flexibility in how TOs can access the required funding to progress these tCSNP2 projects. We consider it appropriate to make available funding for strategic land acquisition and early enabling works for consistency with ASTI. Under our current plan for the Shetland to Coachford HVDC link we expect to secure land options ahead of RIIO-T3 commencing and whilst detailed plans for our other delivery track projects are still under development, we consider it pertinent to have the option.

Early Construction Funding (ECF) has been instrumental in enabling us to accelerate delivery of our ASTI projects. Whilst we accept that an explicit assessment of “acceleration” for the Beyond 2030 projects has not been undertaken, acceleration is built into our project assumptions (consistent with TAAP recommendations and as noted in response to question one), and therefore into the EISDs which were given a proceed signal by the ESO. If Early Construction Funding is not made available ahead of securing consents, we risk not being able to meet the EISDs on which the ESO gave proceed signals.

We agree that TOs should be accountable for delivering a zero-carbon energy system, with incentives and penalties calibrated to factors within their control. We acknowledge Ofgem’s concerns about transparency in EISD assumptions and will collaborate with other TOs and NESO to standardise the methodology.

***Q4. Do you agree with our proposals for the “Small / Medium Sized Project Delivery track”?***

We support the principle of more regulatory scrutiny being applied to larger projects, and therefore welcome the proposal to maintain a more streamlined regulatory assessment of less material projects. We are supportive of the proposal to utilise existing (MSIPs) and future / under-development (T3 baseline / reopener) for this purpose. We welcome ongoing engagement with Ofgem on the details of T3 mechanisms in this regard.

**Consultation Section 5 – Application of proposed regulatory framework to tCSNP2 projects**

***Q5. Do you agree with our categorisation of tCSNP2 projects?***

We are generally supportive of Ofgem’s proposed categorisation of tCSNP2 projects. We would welcome further discussion on those projects currently proposed to be integrated within our existing ASTI portfolio, and the proposed PCD dates for delivery track projects.

We welcome the proactive engagement from Ofgem on our projects leading up to this consultation and are pleased that the consultation position is reflective of that engagement. We have previously highlighted the potential benefits of integration of NNNC, KKRE, and PPUP within existing ASTI and RIIO-T2 schemes. As we have continued to explore the mechanics of integration further, our view on the right approach to delivery of some of those projects has evolved.

Specifically, we have concerns about the level of additional risk, against a high-powered ASTI Output Delivery Incentive (ODI) regime, the increased scope within our BPNC scheme could pose. Incremental increases in scope, and associated risk, has the potential to materially change our overall risk / reward position. The two projects that are proposed to integrate within BPNC are PPUP and NNNC. It is our current view that PPUP should instead be a standalone project and that NNNC should be integrated within BPNC, but with additional risks accommodated for within the ASTI regime.

**Rebuild Peterhead – Longside (Peterhead 2) 400kV OHL route with triple Araucaria conductor (originally referred to as PPUP, now LPUP)**



We originally proposed a tie in of the existing New Deer to Peterhead circuits (VND1/VND2) to Longside Substation which could be delivered within the scope of BPNC. However, considering the full ScotWind HND1/HND FUE background assessed in tCSNP2, we now require an additional capacity, new build overhead line, between Peterhead and Longside as the solution originally proposed utilised existing infrastructure that cannot be upgraded to meet those changed requirements.

In our high-level development and delivery plan submitted to Ofgem in July 2024, we proposed an option to deliver PPUP (~7km of new 400kV double circuit OHL between Peterhead and Longside) with limited impact on BPNC schedule, but that we would keep this under review as development progressed. Since July and as further development activity occurred, it has highlighted the inherent inter-dependency of the delivery of PPUP and BPNC. Our updated view is that it is not possible to incorporate the PPUP scope into BPNC without risking delay to the BPNC scheme against our ASTI license conditions.

### 3rd 400kV cable circuit between Greens (New Deer 2) and New Deer substations (NNNC)

NNNC consists of a third 400kV cable circuit between New Deer and Greens Substations, to accompany two circuits already planned within BPNC. It would be efficient for the installation of the three circuits to be undertaken in the same phase of works. Site establishments, resources and material orders can be shared or combined, albeit this additional would increase overall demand.

In our high-level development and delivery plan we proposed that NNNC could be delivered at an incremental cost on top of the two circuits initially planned within ASTI. We remain of the view that BPNC integration is best approach for the delivery of NNNC due to the inherent synergies, however, having further reviewed the implications of doing so we are concerned about the associated incremental risk of delayed completion. We would therefore welcome further bilateral discussion with Ofgem on ways in which that additional risk could be protected against, or otherwise accommodated for within the ASTI framework.

### Delivery track PCD delivery dates

For delivery track projects, we welcome that proposed PCF PCDs have been set in line with our high-level development and delivery plans submitted to Ofgem in April. As set out in those plans our schedules are likely to change as we undertake the development activities enabled by need confirmation and PCF proposed in this consultation. Our current view is that a 31 December 2026 PCD Output date for PKUP and BKUP is unlikely to be achieved. As such we propose that we are provided opportunity to put forward updated schedules during licence implementation, once further development work has been undertaken.

Similar is true for Shetland to Coachford (SHL2). Whilst we are focussed on expediting pre-construction activities for this project, the latest schedule is showing submission of all material planning consents in September 2027. We would request that Ofgem amends the proposed PCD Output date.

### ***Q6. Do you agree with our proposed approach for the tCSNP2 asset classification projects?***

We agree with the approach for tCSNP2 asset classification projects. We have different views regarding the cost estimates on which allowances are set for the development track asset classification projects. As stated in the consultation TOs were not involved in the development of projects AC7, AC8 and AC9; these assets were identified by the ESO and as such we had limited input into cost assumptions. Whilst these projects remain highly immature, it is our view that costs will far exceed those on which allowances are currently based. We also anticipate that the HND FUE participants will continue to submit incremental scope changes to the ESO coordinated offshore design, so cost expectations are likely to continue to evolve over time. Whilst we are content with the IDF provided for asset classification projects at this stage, we would welcome further discussion in due course on the basis on which complex transmission infrastructure is proposed and assessed by the ESO.

***[Q7. Included in error. Confirmed by email from Ofgem]***

#### **Consultation Section 6 – Identifying suitable projects for early competition**

##### ***Q8. Do you agree with our approach to identifying a first project for early competition?***

As we have highlighted in previous responses to consultations on the development of the competitive framework for early onshore competition, the model requires further development across multiple areas. Detailed and transparent shortlisting criteria, and processes for assessment of projects suitable for competition has not yet been established and the transitionary process used for the tCSNP2 should not be assumed as the status quo for the tCSNP2 Refresh or the full CSNP. The shortlisting criteria to identify projects suitable for competition is currently too simplistic and lacks holistic assessment of the projects, which could create unrealistic expectations for the market. Moreover, it is not clear what governance is in place, what detail is being assessed and what further methodology other than the CBA is being applied as part of the feasibility assessment stage of the process.

We welcome Ofgem's recognition that projects selected for early competition which are currently at advanced stages of development have greater scope for accelerated project delivery by respective TO's than through competitive tendering. We also support Ofgem's engagement with ESO on this front to ensure that this is factored into the ESO's assessment while shortlisting projects for early competition. Ofgem should consider the timing of competition shortlisting announcements alongside tCSNP2 regulatory framework publications to ensure consistent messaging to stakeholders, and to provide as much certainty as possible in a way that is both transparent and balances the interests of all stakeholders involved, as well as supports accelerated transition towards net zero goals.

#### **Consultation Section 7 – Our expectations of the TOs and the ESO**

##### ***Q9. Do you agree with our expectations for the TOs and ESO?***

We are happy to work with Ofgem and the other TOs to provide assurance that our EISD calculations are robust and realistic and note that that this is currently being progressed. We set out in our tCSNP2 project information pack the rigorous process we follow through strategic optioneering through to submission to the ESO, including the scrutiny we apply, leaning on years of experience, at that stage to inform a best view of an option's EISD.

We recognise that there may be some differences in approach across TOs. In some cases this may be unavoidable due to regional, geographic or consenting challenges. As such, we are supportive of agreeing a more standardised approach in so far as that will support Ofgem in its scrutiny of projects and the setting of project outputs in the future. Whilst a standardised approach is a worthwhile ambition it would need to be developed in such a way that it acknowledges the different challenges that each TO, or even project, may face.

#### **Consultation Section 8 – Scope change governance**

##### ***Q10. Do you agree with our proposals to introduce a scope change governance process for onshore transmission projects?***

We welcome the proposal from Ofgem to introduce a scope change governance process for onshore transmission projects. With the scale and pace of network investment over the near and medium term it is increasingly likely that new projects interact with existing or in-development infrastructure, or that new challenges and opportunities arise. We are supportive of the general principles presented for consultation, however, clarity is required on key points outlined in the proposals. Recognising that this is still in the development stage we are keen to work collaboratively with Ofgem to establish a concrete governance process that both protects consumers and ensures scope changes are concluded in a timely manner.

One potential gap we have identified is when a TO is able to implement this process. We understand and support intent for this to be applicable once there is an output PCD in the TO's licence. However, through the framework proposals in this consultation there will be a (yet to be determined) period during which delivery track projects have a PCF PCD but no output PCD. The likelihood of scope change will decrease as projects mature, so it is important to ensure there is opportunity to amend scope, if required, ahead of there being an output PCD encoded in the TO's licence.

With respect to the specifics of the proposals, we are generally supportive of the proposed governance process map. Through the course of ongoing process development, it is important that the details of each step in the process are agreed; for example, roles and responsibilities, information submission requirements, and required outputs. We also consider there is opportunity within this map to streamline processes or run workstreams in parallel; for example, the ESO impact assessment may be run in parallel to Ofgem's assessment of the TOs formal scope change request.

One such area where clarity is required is the ESO impact assessment. Understanding the process (TO inputs, modelling duration, and ESO outputs) is essential to enable the TO's to plan and prepare in future. We recognise and welcome proposals for the exact scope of the ESO's assessment

We agree that the process must reflect a reasonable timeframe that avoids any unnecessary delays to projects, and our suggestion would be to take the lessons learned from the offshore process which can be improved upon. We would be pleased to work through with Ofgem in due course. The proposal for application windows goes some way to addressing concerns, derived from the ability for any offshore party to submit an Impact Assessment request at any time, to be assessed against an ever-changing network background.

On criteria for an ESO Impact Assessment, we are generally supportive of the proposals, however we would welcome clarity on the evidence requirements to demonstrate satisfaction of those criteria. Whilst this may be subjective in some cases, we consider it helpful to set out some baseline expectations to minimise ambiguity, for example an updated QSRA to demonstrate delivery date movements, or feedback from supply chain to justify cost escalation. We also consider that the criteria suitability depends on the topography of uncertainty mechanisms within T3 which are currently not fully defined. For example, the suitability of the time and cost based criteria depend on the availability of mechanisms akin to the ASTI COAE and ODI delay event mechanisms, which provide protection against changes that do not satisfy scope change criteria. We therefore encourage Ofgem to remain open as policy thinking develops. While this consultation recognises that there is subjectivity some further clarity would be welcome on what would be considered "significant" or "material".