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Dear Jon,

Proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects

SSE¹ welcomes the opportunity to respond to Ofgem's consultation (the "consultation") on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 (tCSNP2) projects.

While we do not specifically provide answers to each of the ten questions posed in the consultation, our feedback primarily concerns Question 1, which focuses on the assessment of tCSNP2 projects and the identification of the appropriate risks. Please find below our key points for consideration:

Aligning tCSNP2 with the Strategic Spatial Energy Plan

The foundation for tCSNP2 should be the Strategic Spatial Energy Plan (SSEP), given that the SSEP intends to serve as a whole-system plan that bridges the gap between wider policy objectives and infrastructure development plans. The absence of an established SSEP implies that the tCSNP2 primarily reacts to the Holistic Network Design Follow-up Exercise (HNDfUE) work, rather than being a component of a comprehensive strategy for achieving Net Zero goals. The development of the SSEP should be a priority, and an earlier publication of the SSEP would also benefit other ongoing reforms, such as connections reform, by providing a more integrated and forward-looking approach to network planning.

Impact of market reform on network investment

The consultation document suggests that reforms to the Balancing Mechanism or wider market reforms under the Review of Electricity Market Arrangements (REMA) could reduce the need for network build-out by providing more efficient locational signals and improving operational dispatch signals for flexible generation. However, it is also possible that these reforms could increase network investment, particularly if REMA results in a diminished locational effect of Transmission Network Use of System (TNUoS) charges. This potential for increased investment is crucial and should be factored into the risk assessment for tCSNP2.

¹ For the avoidance of doubt, this response represents the views of SSE's Energy Businesses'

Ensuring transparency and consistency in ESO analysis

The Electricity System Operator (ESO) has been tasked with analysing the impact of locational charging on optimal reinforcements in the 2026 tCSNP2 refresh. In addition to our concerns regarding key assumptions used in the ESO's previous analysis of locational pricing², it is vital that the ESO ensures transparency in its analysis and allows stakeholders to provide feedback on key assumptions to be used. A core assumption present within several assessments of locational pricing reforms proposed under REMA is the expectation that generators will move closer to demand centres in the south of GB. This is an example of an assumption that should be carefully scrutinised, as the anticipated shift in generation location may not occur if either, strategic plans result in different locational impetus, or the resulting package of reforms delivers a signal that is different from that assumed in these assessments. An outcome that reduces the network build ambition based on assumptions about generation relocation may lead to a decrease in generation investment. These potential outcomes underline the need for a transparent and consistent approach to the assumptions underpinning the ESO's analysis.

Separately, in Ofgem's Decision on policy updates to Early Competition in onshore electricity transmission networks³, constraint costs were specifically included in the list of material costs and benefits considered in the ESO's proposed Cost Benefit Analysis methodology. These costs can significantly impact the overall efficiency and cost-effectiveness of network delivery, particularly if competition results in delays compared to the counterfactual scenario of Transmission Owner (TO) delivery via the RIIO framework. We would like to emphasise the importance of the ESO thoroughly assessing constraint costs to ensure that the comparison between competitive delivery and TO delivery via the RIIO framework is accurate and reflects the true costs and benefits to consumers.

Updating tCSNP2 using ESO 2024 FES and ensuring appropriate timing of the tCSNP refresh

The projects within tCSNP2 are largely driven by offshore wind and informed by the 2023 Future Energy Scenarios (FES). As the 2024 FES⁴ adopts the Future Energy Pathways approach, which outlines the necessary investments to achieve Net Zero, we support updating tCSNP2 using 2024 FES data. This could help identify the projects that are critical to Net Zero delivery, thereby reducing uncertainties surrounding market signals and network charging requirements. More accurate investment levels and network design will lead to a more stable and predictable framework for planning and development.

Additionally, the timing of the tCSNP2 refresh should be cognisant of, and where possible, aligned with timelines for related reforms and key infrastructure projects. For example, consideration of the development of Innovation and Targeted Oil and Gas (INTOG) projects and the Sectoral Marine Plan for Offshore Wind Energy. This will ensure that the tCSNP2 refresh reflects the most up-to-date view of network infrastructure needs and potential impacts on Net Zero delivery.

We hope the points raised in this response are helpful. We would welcome engagement with Ofgem to discuss them in more detail.

² [NGESO - Assessment of Investment Policy and Market Design Packages \(2023\)](#)

³ [Ofgem - Decision on policy updates to Early Competition in onshore electricity transmission networks \(2024\)](#)

⁴ [NGESO - Future Energy Scenarios \(2024\)](#)

Yours sincerely,

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