

## **RIIO-T3 Call for Evidence**

Submitted by

**Independent Stakeholder Group, SSEN Transmission**

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## Abbreviations used in this Call for Evidence response

Abbreviation	Meaning
T3, the plan	RIIO-T3 Business Plan
T2	Current RIIO-T2 regulatory period
The company	SSEN Transmission
ISG, us, we	Independent Stakeholder Group

## SSEN Transmission

### RIIO T3 Business Plan topics referred to in this response:

1. ISG Key Messages
2. Safe and Reliable Network
3. Accelerating the Pathway to Net Zero
4. A Fair and Sustainable Business
5. Data, Digital and Cyber
6. Team Transmission
7. Working with Stakeholders
8. Cost to Consumers
9. Value for Money (VfM)

### 1. ISG Key Messages

This Call for Evidence response is primarily based on the details provided in the SSEN Transmission, RIIO T3 Business Plan.

The ISG has operated throughout the business plan development period to consider stakeholder, customer and consumer priorities and needs when scrutinising proposals, data reviewing, challenging and offering support on the company's ambitions, performance objectives and delivery plans for the RIIO T3 period, and beyond.

The complex and increasingly interdependent nature of the work programmes, those commissioned and those in development (some of which fall outside the scope of this regulated business plan process), means that economic assessment of this business plan in isolation is unlikely to provide the lowest longer-term cost to consumers and most effective solutions to delivering the longer-term energy security and decarbonisation goals set by UK and Scottish governments. The context for determining the RIIO T3 economic assessment must refer to the risks and opportunities to efficiently and effectively deliver the full Transmission infrastructure programme.

Set out below are the over-arching matters that the ISG are concerned about and that we ask Ofgem to consider in determining the economic framework for RIIO-T3.

- a) the ongoing cost to consumers is becoming increasingly opaque. There are now a number of infrastructure investment programmes underway where the costs are not fully factored into the regulated cost base that Ofgem will set as an outcome of this RIIO-T3 business planning process. There will similarly be a degree of uncertainty over the scope and quantum of some requirements that Ofgem will want to address during the period of the plan and use Uncertainty Mechanisms to do this. We agree this is a tool that should be used but we believe a greater degree of cost transparency should be applied to enable customers and consumers to remain appraised of the cost and benefits of these investments. The ISG supports the work commissioned by SSEN Transmission, to establish the cost to consumers of the full scope of their work programmes and the, albeit longer timeframe cost benefits that will be delivered. This work has been reproduced in the business plan.
- b) The GB Transmission network is critical national infrastructure. Unprecedented investment is underway to support decarbonisation policy and energy security. It is now not enough to only assess performance and efficiency on a project by project, work programme or even network company basis. The connectivity and performance of the whole network is a critical dependency when planning work and scheduling outages. A prioritised order must be established and complied with, coordinated with NESO. To support this critical planning and coordination, we support the company's plan to establish a new control centre that will utilise modern network modelling and planning tools, enhanced operational control capability and be a coordination centre for incidents and emergencies. All this within a cyber and physically secure facility.
- c) Continuing the theme of the Transmission network being critical national infrastructure and the massive growth in the investment programme; currently, each project, or even different elements with a project within these programmes is subject to individual planning approval requirements. The responsibility for securing planning permissions lies solely with each transmission company. Given the time imperatives and connected nature of these programmes, we strongly advocate for a different approach to securing permissions that allows communities to be consulted, and concerns addressed whilst giving greater certainty to delivery timescales and development costs.
- d) There are continuing in-flight industry reforms that will change work programmes beyond the current scope of RIIO-T3. This raises the question of proportionality when assessing the scope of this business plan as one part of the overall Transmission work programme. Alongside securing value for money for consumers, the T3 economic framework should be an enabler to the efficient delivery of the larger programme to deliver the GB's decarbonisation and energy security ambitions. The well-understood model of balancing Time, Quality (including needs and scope) and Cost must address the new balance of the time

and needs imperative when assessing the right cost to consumers. The ISG has, to the best of our ability, attempted to factor this proportionality into our assessment of the work plans, performance outputs and associated costs of the business plan.

- e) The company has scaled up significantly during the RIIO T2 period to respond to unprecedented investment programmes. This required additional employees, expanding information management systems, facilities, adopting new technology and ways of working. It has also required a significant increase in contracted parties. To be efficient, it is sensible to deploy these resources, assets and ways of working across the whole work programme as appropriate. The scope of the RIIO-T3 framework demands specifying overheads specific to delivering the scope of the plan, noting the activities outside the T3 business plan. The ISG has recognised the potential for this specificity to be as accurate as possible whilst not detracting from the effort required to focus on delivering the full work programme efficiently and holistically. We urge Ofgem to recognise the value of assessing overhead factors both proportionally and holistically.
- f) The company is operating in a global marketplace to secure resources and supplier certainty. The ISG was and remains very supportive of the company's approach to early engagement with suppliers and contracting parties to secure resources and supply chain certainty. The company has taken financial risk in making these commitments as early as possible in the delivery process and has taken opportunities to encourage national economic development; the new Sumitomo cable manufacturing facility in the Highlands is a real example of this work. The delivery of commitments in the RIIO-T2 period and the responsiveness of Ofgem to enabling early engagement for the LOTI and ASTI programmes has proved that the approach taken by the company is correct. This lends confidence to the delivery of the ambitions and specific outputs detailed in the plan.
- g) Investment has been unprecedented in the past five years. The full scale of investments to achieve decarbonisation and energy security is not yet known or agreed. That said, there is now confidence in the information within the NESO 'Beyond 2030' publication to substantiate continuing growth for at least 10 years beyond the T3 period. A significant challenge is with Ofgem and other regulators to be sufficiently adaptable to keep pace with Government ambitions and time imperatives to secure the most efficient, value-for-money outcomes for consumers.

## **2. A Safe Reliable and Resilient Network**

There is clear government ambition and plans to deliver a clean power system by 2030, which is a step on the way to meeting the 6<sup>th</sup> Carbon Budget in 2035. Over this time period the underlying network demand will grow considerably as society decarbonises and the emphasis on GB energy security continues.

Through this transformation, maintaining a safe, reliable and resilient network is critical; coordinating the planning of system use with NESO to minimise the impact of system changes and necessary outages.

### Asset Management

The primary enabler to a safe reliable and resilient network is effective asset management.

We have examined the progress made in the company's asset management capability and are assured through recognised international benchmarking that the company has achieved and is maintaining a very high standard. Consistent, passionate leadership of asset management from executive level in the company has driven this success.

At its core, asset management is the optimisation of performance, cost and risk. The asset performance goal is set out in the business plan as zero interruptions in electricity supply to homes and businesses. This is aligned with customer expectations and regulatory requirements. The cost factor is largely fixed through the regulatory price review process with a constant eye on efficiency. The variable in the optimisation process is therefore risk.

Consequently, we have examined the company's approach to the identification of risks to service and the way in which risk mitigation is a consistent consideration in project justification papers. It is apparent that risk-based decision making is embedded in the asset management approach. The risk aware culture will continue to develop over time with risk management becoming a core competence of the future business.

Decision support tools have been developed and deployed with a recognition that such tools are data hungry. Data collection is increasingly automated through remote monitoring of assets and the business plan sets out the intention to further digitise asset data. We challenged the company to ensure that data quality is assured through quality audits.

Moving forward, the focus must turn to an increase in predictive analysis, to predict where asset failures are likely to occur and to intervene before there is any impact on service. This links to the proposed enhancements in network modelling tools and capabilities.

### Operations

The most significant proposal in the business plan with regard to operations is the creation of a Transmission Operational Campus. We are convinced that the time is now

right to progress this proposal in support of providing safe, secure, real-time control of the network. The role of the SSEN Transmission network is changing and will facilitate more connections in T3 than ever before. No longer is it at the northern edge of the transmission system primarily supporting North of Scotland communities. The opportunity for low and zero carbon generation in this region, the integration of complex HVDC assets, the connection of the remote Scottish Islands to the mainland system and the investment in facilities to transfer power outside the region means that this network and its operation is critical to the nation. Over the T3 period and beyond, this criticality will continue to increase. It is therefore necessary to support this network development with a dedicated, resilient and secure operation centre that works with and supports the NESO National Control Centre.

The future GB electricity network, as shown in the NESO 'Beyond 2030 Network Plan', will require more HVDC links to support further integration of the GB system. Accurately modelling these complex electrical systems is crucial; it is not enough to develop these links as individual assets. Delivering an integration system with multiple HVDC links, from multiple vendors and that works with all the other assets on the system safely, securely and reliably is a massive challenge that will span this and at least the next two economic control periods. The ongoing development of simulation tools in the HVDC Centre is a critical service that supports not just the SSE region but is a valuable centre for all of GB.

### Resilience

Managing the resilience of existing assets is vital for two reasons; the performance of existing assets enables delivery of customer and consumer network performance requirements in the immediate term and through the RIIO-T3 period and whilst new infrastructure is integrated into the transmission network. Secondly, there are several external and environmental factors that mean the network needs to continuously adapt to maintain performance.

The network was proven resilient through the most recent storms. This has demonstrated the value of a robust and comprehensive programme of asset maintenance alongside a continuous programme of vegetation management. The company has implemented a more comprehensive approach to strategic spares through T2 and, with rapid deployment arrangements in place, has demonstrated the effectiveness of this approach. As the network expands and the number and types of assets increases, the strategic spares arrangements must continue to be revised and updated.

Climate change has rendered existing methodologies for assessing flood risk of limited value. Using time series rainfall data is not adequate and the industry, Regulators and Planning Authorities, working with governments, need to address this as it presents a significant challenge to both the design and maintenance of assets that have a life expectancy of many decades.

Physical security of critical national infrastructure remains a current and ongoing focus. We believe the proposals set out in the plan support necessary improvements to

physical security. We have not been party to cyber security proposals; this is a matter reserved to Ofgem and the company.

#### Delivery of New Assets

Given the increasing complexity of the Transmission network across GB, system access is and will increasingly be, challenging. A change in design and delivery approach is required to attribute value to opportunities to minimise system access, even if this means that individual project costs may increase. Reducing outages can offer lower constraint costs to generators and mitigate consumer exposure to these constraint costs. We acknowledge that this is an area where work needs to continue to implement change.

The company has demonstrated the value of engaging the supply chain in long-term partnerships. The benefits in terms of efficiency and innovation can continue if the company is supported to make long-term commitments to their contractors and suppliers through timely agreement of future work programmes. Ofgem's Advanced Procurement Mechanism is a key enabler to allow the network owners to make efficient procurement decisions and for the supply chain to have the confidence to invest in skills and manufacturing capacity. We support the continuation of this approach by Ofgem.

As referred to in section 1, the planning process for new infrastructure assets and refurbishment programmes is a factor that can impact both time and cost to consumers significantly. We believe the company has an effective strategy to engage stakeholders within the current planning process that is delivering satisfactorily but, to efficiently deliver the programmes of work required within the timescales set out by governments, the current planning process is not fit for purpose.

### **3. Accelerating the Pathway to Net Zero**

The plan is set within the context of achieving the government's aims and objectives for the power sector. The sector will be decarbonised by 2050 largely through a transition to electricity as our primary energy source and that electricity will be generated by harnessing renewable energy sources.

The North of Scotland has vast renewable energy resources that will be a significant contribution to the energy needs of the whole of Great Britain. The electricity transmission system that will transport this clean power to the demand centres, must be put in place timeously. The key to accelerating the pathway to Net Zero is the delivery of the capital investment required.

The future demands that must be serviced by the transmission network are well understood and there is a consensus on demand forecasting across the various players in the regulated industry based on the Climate Change Committee's sixth carbon budget and NESO's Future Energy Scenarios.

Through the blueprint for strategic investment developed by NESO and the Transmission Operators and agreed with Ofgem, the strategic investment programmes required in the T3 period are in place and have been approved by Ofgem through the ASTI framework. These are reflected in the plan. It is anticipated that further large-scale investments will be identified during the T3 period through the new Centralised Strategic Network Planning process led by the NESO. The company's programme planning and delivery capability as well as their supply chain and construction partners are well placed to address these emerging additional programmes of work through an expansion of the ways of working that have been developed and adopted through the T2 period.

Within the Regional investment programmes for the T3 period there are projects already approved by Ofgem through the LOTI framework at Argyll, Skye and Orkney. A further ten projects are proposed for progression in the T3 period with justification papers prepared.

We have examined the proposed investment programmes at both strategic (national) and regional levels and have noted the approvals from Ofgem. For those Regional projects not yet approved we have been taken through the engineering justification papers and are satisfied with the rigor of the analysis in making the case for the proposed investments.

It should be noted that the scale and value of the investments being progressed through the Uncertainty Mechanisms far outweighs the work programmes covered in the T2 and T3 business plans. The ASTI and LOTI frameworks have been successfully applied by the company and the regulator to get the investment programmes scaled up and underway. There is now real momentum in the development and delivery of these critical national infrastructure projects with supply chain capacity secured. Care must be taken to ensure that the T3 business planning process, and the outcome of the process, is aligned with the work in progress. Given the imperative of timely delivery of the government's aims and objectives there cannot be a hiatus in investment delivery. The T3 business plan should be seen as an integral part of a much bigger transformation programme that not only scales up the transmission capacity of the network but also puts the network on course to meet in full the needs of a Net Zero system.

Meeting the challenge to secure the people required to deliver the investment programmes and to operate and maintain the scaled-up business is one of the most significant challenges the company is managing. The progress made in T2 gives confidence that the business processes and working environment culture is supporting meeting this challenge. We comment elsewhere on the growth of Team Transmission. Early engagement of the supply chain partners and giving early contractual commitments have already proved valuable in securing people with the skills required.



#### **4. A Fair and Sustainable Business.**

The Company have set an ambitious goal to drive investment in the energy transition that delivers transformative lasting benefits for local communities, the economy and nature by 2030. We are supportive of this aim and believe the measures outlined, (new housing that will be made available to communities, the allocation of community benefit funding, greenhouse gas emissions and biodiversity net gain), are the right ones.

We have confidence that the Sustainability Action Plan and the Sustainability Strategy supported by their innovation, supply chain resilience and workforce resilience strategies provide a clear pathway to achieving the stated aims and that they meet the minimum requirements for Environmental Impact as set out by OFGEM.

We have been regularly consulted throughout the development of both the Sustainability Strategy and Action Plan. The company have provided quality and timely information to allow the ISG to give informed feedback and for this to be considered and reflected, as appropriate.

Having reviewed stakeholder feedback and considered the deliverability of the proposals set out in the Business Plan, we believe that these represent a real evolution from the T2 Business Plan and represent ambition to commit to delivering beyond minimum requirements. We have observed engaging with stakeholders and using feedback to support optioneering and decision-making processes through the full range of business activities. A Non-Executive Director on the SSEN Transmission Board has a specific remit to ensure stakeholder views are represented and has attended our ISG meetings. We have similarly had regular engagement with the full Board to share our views and discuss our annual report.

The company's focus on and recognition of the importance to stakeholders of meaningful legacy in communities which host their infrastructure – something the ISG have seen first-hand on-site visits – is something we are fully supportive of. This is clearly demonstrated by the intentions to contribute to rural housing need, stimulate growth in local and national industries, provide community benefit funding where allocation of funding is determined by the communities not the company and development of skills to support local employment opportunities. All this as well as the wider nature and biodiversity enhancement commitments is, in our view, a thoughtful and deliverable series of opportunities which supports long term betterment that does not compromise the cost to consumers. Exemplified by the housing and community benefit fund targets, the proposed use of community based regional panels to deliver the Community Benefit Funding represents a real delegation of decision-making power to communities. It also gives confidence that the company is committed to enhancing its focus on demonstrating responsible business operations as BAU that extends beyond the T3 Business Plan period.

The ISG were very impressed by the focus the Company have placed on supporting meaningful social and economic legacy. The proposals in the plan shows real ambition, commitment and understanding. We have been fully consulted as these commitments

have been developed and finalised. We believe they are ambitious, building on firm foundations delivered during RIIO-T2. We believe the approach to social and economic legacy is a benchmark for other organisations to aspire to.

We encourage the company to progress development of a metric that measures 'Social Impact' (depth/quality/endurability) of their legacy activity. We recognise it will take some time to generate data sets to support such a metric.

## **5. Data, Digital and Cyber**

The Business Plan sets out a number of objectives in relation to Data, Digital and Cyber which we believe are necessary to support the business performance and continuous improvement of the customer experience measures.

We support the proposals to improve access to information to both update and inform customers and stakeholders on key elements of the business's activity, in particular planning consultations and connections applications. For example, deploying AI to analyse feedback gathered through public consultations is helping to identify key themes and areas of concern. This solution is innovative and supports clearer and swifter understanding of opportunities to address feedback. This also supports more effective use of the Customer Relationship Management system to provide timely updates and feedback to customers.

The Digital Strategy is published and updated annually with clear Action Plans, progress updates and delivery milestones.

The IT and Telecoms Strategy defines clear outcomes around enabling access and demonstrates a good breadth of thinking around both business efficiency and effectiveness. Relevant to both internal staff and external stakeholders, this provides evidence of the business's approach to using technology and access to information in support of delivering performance and outputs. It demonstrates inclusion and recognises the need to continue ongoing improvement.

The investment themes in the strategy documents give evidence of adopting innovation in support of faster services to customers, better informed decision making and more effective network operation and management.

We have concerns about the de-prioritisation of the Pre-Connection Information project in the Customer and Stakeholder Value Stream. Customers developing large generation projects face an unprecedented risk environment and very uncertain investment outlook. These customers need timely and accurate information to support investment decisions.

Continual horizon scanning is crucial to assess product developments, be abreast of data-related regulation developments and quickly respond to changing customer, stakeholder and consumer information needs. This is a fast-paced space. The company

and Ofgem must utilise in-period mechanisms to be responsive to the adoption of improved technology and be responsive to stakeholder expectations.

## **6. Team Transmission**

As already noted, the company has scaled up significantly through the T2 period to deliver the massive programme of works required. With employees, this has seen growth in the workforce from around 700 FTE at the start of T2 to 3000 at the end and climbing to 4000 by the end of T3. There are multiples of these numbers in the supply chain partners organisations. Again, as noted already, utilising experience and skills across the scope of the full programme enables knowledge sharing, replicating best practises and supporting consistent ways of working. The strategic workforce planning tool has been consistently applied and tested through the T2 period to support the growth of work programmes, in particular those capital projects triggered through Uncertainty Mechanisms agreed within the T2 period. We have interrogated this tool and are content that it enables realistic forecasts of both skill requirements and workforce quantum within the Ofgem criteria for people-related cost accounting.

The company has applied the Ofgem criteria for people-related costs in its plan. Work programmes will continue to grow, in particular those arising from the government's CP2030 and 2050 ambitions which are not yet fully formed and accounted for in the plan. There is a risk that requiring programme separation of people-related cost accounting through Uncertainty Mechanism applications could lead to sub-optimal calculations of resource requirements and deployment. Expanded across the expected growth in GB Transmission programmes over the T3 period, this will lead to exacerbating skills scarcity, recruitment delays and potentially driving inflated remuneration packages.

The company has continued to develop its training programmes to meet skills development and skills transition needs. We have explored these programmes and their effectiveness and looked through feedback from participants. The programmes are well-established and successful, albeit the growth required to support delivering work programmes currently outstrips the available skills market. Work done to map capability gaps by the UK Energy and Utility Skills Group and supported by the current DESNEZ sponsored 'Office for Clean Energy Jobs' demonstrates significant capability gaps to fulfil the work programmes required to meet decarbonisation ambitions.

The company has plans to establish the Transmission Training Centre. We tested the rationale for this and agreed that the company cannot rely on the market to gear up for the specific types of training required. The centre will develop both direct and indirect (suppliers) people in order to enable delivery. It will be of benefit to the local economy and will leave a lasting legacy in terms of a skilled workforce. We support this initiative.

## **7. Working with Our Stakeholders**

We welcome the inclusion of ‘working with our customers and stakeholders’ as one of the company’s five strategic focus areas. We believe the stakeholder engagement commitments, alongside the stakeholder engagement strategy, reflect an ambitious but achievable programme of work and reflects an enhanced level of maturity. The Strategy represents a very positive evolution in approach from being a distinct activity directed towards specific asks and projects to one, now, that embraces engagement as an important part of day to day activity across the business.

This embedded approach to Stakeholder Engagement will be crucial to successfully delivering the commitments within the plan and those of the full scale of the Transmission investment programmes. We encouraged the Company to develop stakeholder engagement as a culture not an activity as they have successfully done with Health & Safety. We have seen the company rise to this challenge as evidenced in the Stakeholder Engagement Strategy and this plan.

We value the focus on tailored, meaningful two-way engagement and long-term relationships. Outcomes of this approach are most successfully demonstrated in the work to support timely planning decisions through deploying local teams to work with communities and the engagement and consultation done to define and agree empowering community panels to define and direct community benefits.

The ambition to exceed regulatory targets alongside ongoing assurance via AccountAbility’s AA1000 stakeholder engagement standard is welcomed by the ISG.

## **8. Consumer Bills**

A large element of the T3 work programme is pre-determined. The projects arising from Uncertainty Mechanisms triggered during T2 will continue to be delivered and there are a number of projects agreed in the T2 Business Plan that will be completed during the T3 period. All these projects have been subject to financial scrutiny and efficiency metrics have been applied. Our scrutiny of the development and delivery of these projects has given us confidence that the delivery mechanisms will achieve the cost, time and quality measures agreed with Ofgem.

During the T2 period, response to the decarbonisation and energy security challenge from both Regulators and Transmission companies and the mechanisms to ensure timely delivery of infrastructure was welcomed by stakeholders. The resulting certainty of work programmes was similarly welcomed by suppliers and contracting organisations, enabling efficiency opportunities to be agreed and delivered.

The growth of the work programme during T2 means that the outputs and associated cost to consumers bear little resemblance to the costs headlined when the T2 settlement was reached.

Establishing impact on consumer bills has become increasingly complex. The main fixed elements of maintenance and refurbishment with the associated overheads and resources required to achieve these outputs can, and is, tracked and reported against specific allowances within the regulatory economic settlement. But these are only one element of the consumer bill impact. Accounting for the enormous, and necessary, infrastructure growth costs is much more complex. We have been very supportive of the work done by the company to give much more clarity and transparency to the total cost of their work programmes and the impact on consumer bills. Notwithstanding adoption of innovation and making all efforts to apply efficiency practices, achieving decarbonisation and energy security will require investment of some £200bn in the long term. There are a number of other elements of the electricity supply system and consumption habits that can and should mitigate some of these additional costs, but we urge Ofgem to support greater transparency to inform consumers about the additional cost of achieving our GB energy goals. We are pleased that the work done by the company to be as clear as possible about the real long-term costs to deliver Transmission infrastructure has been reproduced in the Business Plan.

## **9.Value for Money (VfM)**

There are multiple factors to judge ‘Value for Money’ and different stakeholder, customer and consumer groups have prioritised these factors differently. The company has engaged widely to better understand not only what VfM means to these differing communities but how they can tangibly respond and demonstrate an enduring ethos of delivering VfM in all circumstances.

The outcome of these engagements has generated the model described in the Business Plan. There is no evidence to support ordering ‘Doing things Differently, Strategic Supply Chain Engagement, Legacy and Accelerating Net Zero’ into priorities. We have encouraged the business to try to factor all these opportunities into each workstream and identify compelling reasons and outcomes for each, and ideally, in combination.

We are persuaded that work done in T2 to implement innovation methods and products has achieved, in the main, desired outcomes. The proposed innovation programme will investigate opportunities to be both first and early adopters of change. Similarly, the work done in T2 to continue to refine strategic engagement with Supply Chain parties is successful. Recognition of mutual benefit in supply chain ‘partnerships’ has both consumer and community benefits. Continuing this work across the work programmes to mitigate cost, skills and resourcing pressures is critical to efficient delivery.

VfM regarding Accelerating Net Zero and achieving energy security is, of course, a GB wide priority, with value achieved across multiple network and consumer measures. The company applied the FES2024 criteria to priorities work programmes and has adopted a positive approach to both flex and grow the work programme as GB and Scottish ambitions continue to be refined.

Legacy is a topic we have been continually focused on, particularly how the company develops meaningful, long-term benefits in conjunction with stakeholders that can be delivered as a consequence of good working practices, not as ‘added extras’. This

approach ensures that no additional burden is placed on consumers. The company has been very responsive to feedback from stakeholders and community groups. The focus areas described in the plan are a direct response to this feedback, namely, supporting meaningful, local, skilled work opportunities, supporting provision of housing and being a good neighbour. We would particularly draw attention to the excellent work done with local authorities regarding provision of housing.

We fully support the legacy ambition described and have been provided with assured evidence that achieving the targets set in the plan can be done with little or no additional burden on consumers. The benefits delivered will be the right ones for consumers and communities and are long-term.

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