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By email:  
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Date  
23<sup>rd</sup> May 2025  
  
Contact  
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Dear Michael,

### Response to Ofgem's Statutory consultation to modify the Price Control Financial Instruments and licence conditions for electricity and gas distribution and transmission

SP Energy Networks (SPEN) represents the distribution licensees of SP Distribution plc (SPD) and SP Manweb (SPM) and the transmission licensee, SP Transmission plc (SPT). We own and operate the electricity distribution networks in Central Belt and South of Scotland (SPD), and Merseyside and North Wales (SPT). As an owner of both transmission and distribution network assets, we are subject to the RIIO price control framework and must ensure that we develop an economic, efficient and coordinated onshore electricity system.

We welcome the opportunity to respond to Ofgem's consultation on the proposed licence modifications for the implementation of the transitional Centralised Strategic Network Plan 2 (tCSNP2) and the Proposed changes to the Electricity Distribution Licence Conditions. We have set out our comments and concerns below and would welcome further engagement with Ofgem ahead of any final decision being made on the proposed tCSNP2 licence modifications.

#### 1. Proposed tCSNP2 Licence Modification Summary

SPT welcomes the change to the price control deliverable (PCD) from the 30<sup>th</sup> of June 2025 to the 15<sup>th</sup> of September 2025. This will better align with the National Energy System Operator (NESO) inputs required from TOs that will assist the NESO in its tCSNP2 Refresh, expected in January 2026. There remains uncertainty around how the NESO intend to reflect the best available generation data in the form of the outputs of the Gate 2 of the Whole Queue (G2TWQ) exercise within the tCSNP2 Refresh acknowledging that these outputs are now not scheduled to be available until late August/early September 2025. A PCD date in September 2025 will provide additional time to allow TOs to consider the accuracy of the inputs provided to the NESO as well as the information required for the PCD.

Our understanding is that the tCSNP2 projects will be subject to RIIO-T3 uncertainty mechanisms. It is unclear on whether this will be through the Load Related Re-opener (LRR) or the CSNP-F. We stress the importance of maintaining certainty around these projects, particularly as the RIIO-T3 uncertainty mechanisms are still under development. We would welcome further clarity on the enduring funding route for these projects.

## Development Track – Special Condition 3.44

**PCD for NHNC:** We seek clarity from Ofgem on the intended PCD for the New Deer 2 to Harburn 400kV Reinforcement (NHNC)<sup>1</sup> project. The consultation position for setting the PCD for NHNC currently does not align with the position set out in the proposed licence modification. We request the PCD description for NHNC to be updated to state “*means to have developed multiple feasible options to be entered into the ISOP’s networks options assessment referred to as the tCSNP2 Refresh*” as per table 2.3 of this consultation and tCSNP2 Regulatory Funding decision<sup>2</sup> from Ofgem. We would welcome clarity from Ofgem on this point.

## Delivery Track – Special Condition 3.45

**PCD for EHRE and VERE:** We welcome the inclusion of 31<sup>st</sup> of April 2027 PCD for the EHRE<sup>3</sup> and VERE<sup>4</sup> projects. This aligns with our programme of works for the completion of relevant PCF activities. However, PCD dates for the VERE and EHRE projects within unredacted version of the delivery track licence condition are currently not aligned and should reflect 31<sup>st</sup> of April 2027.

It is key to note Ofgem’s intention to no longer introduce Early Construction Funding (ECF) within RIIO-T3 uncertainty mechanisms, with exception of ASTI. Whilst we welcome the introduction of Advance Procurement Mechanism (APM), we are concerned that the removal of ECF is not fully replaced by the scope of APM as there is funding gap for early enabling works and strategic land purchases. We note that RIIO-T3 discussions are ongoing, and we have requested the inclusion of early enabling works and strategic land purchases within PCF on that basis.

Taking the above into account, we are of the view that the 2.5% PCF allowance for the VERE and EHRE projects will not be sufficient to fund the necessary activities. We would welcome further engagement with Ofgem on this point to ensure these delivery track critical projects, are delivered at pace. We would also emphasise the need to ensure that if there is a change in PCF percentage following RIIO-T3 discussions, this should also be reflected for tCSNP2 projects.

To ensure that the most up to date project cost estimates are considered when setting the 2.5% PCF allowance, we encourage Ofgem to consider the updated costs as per TO inputs to the tCSNP2 refresh.

**Materiality threshold:** It is our understanding that the materiality threshold reflects the materiality threshold as defined within RIIO-T2 Special Licence Condition 1.1 and will be applicable to the tCSNP2 projects. We are happy with the RIIO-T2 materiality threshold applicable to the PCF re-opener, however it should be noted that there are ongoing RIIO-T3 discussions and materiality threshold for RIIO-T3 is yet to be agreed.

**Competition:** We seek further clarity on Ofgem’s treatment of projects within the delivery track and their eligibility for consideration in any future competitive tender. It is our understanding that projects in the delivery track would be exempt from consideration for competition and as such the TOs would be able to focus on delivering the projects at pace. We request Ofgem to clearly set it out within the guidance and licence modifications.

**Use It or Lose It (UIOLI) formula:** In terms of the UIOLI mechanism and the associated formula, we seek clarity from Ofgem on its intended method of providing values and whether it will be provided in

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<sup>1</sup> This project specifically targets the B4 and B5 transmission boundaries in the SPT area by establishing a further 400kV double circuit OHL corridor, providing an uplift in north to south boundary capability required to accommodate renewable generation connecting across Scotland. This project also helps to enable boundary capability in the SSEN Transmission area north of B4.

<sup>2</sup> tCSNP2 decision, paragraph 3.32

<sup>3</sup> Replace existing OHL conductor on the Elvanfoot - Harker section of the strategic north-south Strathaven - Harker (ZV route) corridor with modern high temperature low sag (HTLS) conductor

<sup>4</sup> Replace existing OHL conductor on the Strathaven - Elvanfoot section of the Strathaven - Harker (ZV route) corridor with HTLS conductor

each year or will be a single UIOLI pot over 5 years. If the intention is for the UIOLI pot to be provided over 5 years, then the formula within the licence include as per below:

$$allowance_t = \min \left( spend_t, total\ pot - \sum_{2026/27}^{t-1} spend_t \right)$$

## 2. tCSNP2 Guidance Document Summary

It should be noted that there is no associated guidance for the Special Condition 3.45 Part C: Scope of the Delivery Track Pre-Construction Funding Re-opener. We suggest the inclusion of similar detail as per ASTI PCF re-opener<sup>5</sup>.

Given the PCD requirement for NHNC differs from other tCSNP2 Development track projects, we seek clarity from Ofgem on whether the basic PCD report is required for NHNC, as defined in para 6.4 and 6.5 of the Price Control Deliverable Reporting Requirements and Methodology Document: Version 4.<sup>6</sup>. This clarification should be incorporated within the guidance document.

## 3. Electricity Distribution Licence Conditions

We agree with the licence modifications that were proposed as part of this consultation. Specifically, we refer to:

- Special Condition 1.2 Definitions and references to the Electricity Distributors
- Special condition 9.8 Tax Reconciliation Statement for ED
- ED Standard Condition 29 Restriction of activity and financial ring-fencing of the Distribution Business

We welcome further engagement on these matters.

Yours sincerely,



Lauren Logan  
Head of Transmission Regulation and Policy

<sup>5</sup> Accelerated Strategic Transmission Investment Guidance and Submission Requirements Document, section 3

<sup>6</sup> Price Control Deliverable Reporting Requirements and Methodology Document: Version 2