

10 South Colonnade
Canary Wharf
London
E14 4PU

SSEN Transmission
Grampian House
200 Dunkeld Road
Perth
PH1 3AQ

23rd May 2025

Dear Michael,

Statutory consultation on modifications to PCFI and the new ET2 Special licence conditions regarding tCSNP2

Thank you for the opportunity to respond to Ofgem's statutory consultation on the RIIO-T2 special licence conditions regarding the onshore transitional Centralised Strategic Network Plan 2 (tCSNP2). 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 fully support the ongoing regulatory and policy shift towards more anticipatory strategic network planning, beginning with the Government's proposed Clean Power 2030 Action Plan and continuing with the Strategic Spatial Energy Plans. Our commitment is firmly aligned with the recommendations outlined in the National Energy System Operator's (NESO's) tCSNP2 publication ², and we remain dedicated to facilitating the transition to a decarbonised energy system.

It is with the above in mind that our feedback in response to the statutory consultation is aimed at ensuring regulatory requirements associated with tCSNP2 are proportionate and pragmatic. Ofgem's approach (via licence conditions and associated guidance) should unambiguously outline the funding route and process for projects moving into delivery.

The tCSNP2 licence conditions will serve to set a precedent for the enduring CSNP; and several points should be addressed to ensure a robust arrangement. We cover some key issues below and provide a detailed technical response in Annex 1.

Regulatory certainty of project need as part of the tCSNP2 framework is crucial to accelerating the deployment of infrastructure. Licence and guidance documents should be updated to clarify that delivery track projects will become part of the baseline network and be exempt from reassessment in the tCSNP2 Refresh.

The Pre-Construction Funding (PCF) allowance for projects should be uplifted in RIIO-T3 period in line with decisions made for the RIIO-T3 price control. It is vital that the Delivery Track PCF Reopener is available in both RIIO-T2 and RIIO-T3 to allow TOs to effectively and efficiently manage efficient spend associated with pre-construction activities beyond 2.5% of

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.

² [Transitional Centralised Strategic Network Plan \(tCSNP\)](#)

forecast project totex. We would welcome Ofgem's commitment to reviewing initial access to PCF allowances to ensure alignment with any updated position reached for RIIO-T3.

tCSNP2 outputs and deliverables should consistently reflect the tCSNP2 framework decision. We seek further clarity regarding our NHNC Development Track PCD. In addition, we propose changes to the description of several projects within the licence to accurately reflect current project scope.

As noted above, we welcome the ongoing engagement with Ofgem. We would value the opportunity to discuss the points raised within our response at the earliest opportunity.

Yours sincerely,

Evelyn Morgan

Senior Regulation Analyst
SSEN Transmission

Annex 1 – SSEN Transmission Detailed Response

Regulatory Certainty of Project Need

Regulatory certainty is a crucial part of any framework seeking to accelerate the deployment of infrastructure. It is essential the tCSNP2 guidance confirms that when a project moves into the delivery track, it shall be exempt from competition. This must be explicitly stated, on the basis that NESO's tCSNP2 Refresh Summary Methodology³ outlines that the projects referenced will be exempt from competition. We suggest wording building on "*projects added to the delivery track are expected to be baseline and exempted from competition*".

Asset Classification Projects

The licence and guidance must outline an appropriate process for transitioning asset classification projects from Development Track to Delivery Track, once the NESO's offshore impact assessment process and competition assessment have concluded.

We understand the intent, as per the tCSNP2 framework decision⁴, is for PCF to be available for asset classification projects to include both efficiently incurred PCF to date and future PCF. The licence conditions should be updated to allow PCF PCDs to be amended for existing PCDs and to enable the insertion of new projects. It is vital that a robust mechanism is introduced to secure PCF funding for EGL5 and other provisional ASTI projects.

tCSNP2 Outputs

Below, we have listed several proposed updates to reflect recent developments and engagement with Ofgem. It is prudent to ensure that the latest licence drafting reflects current scopes and timelines.

Development Track PCD Report

We welcome the change of PCD date from 30th June 2025 to 15th September 2025, aligned to NESO's tCSNP2 Refresh⁵ published in March 2025.

NHNC Development Track PCD

The licence conditions and guidance should be updated to reflect the tCSNP2 framework decision position for NHNC. As per 3.32 in the framework decision, it is our understanding that, owing to the conceptual nature of NHNC and an energisation date in the late 2030s, we shall not develop NHNC to ESO maturity level 2, or complete the "strategic optioneering" development stage, by 15th September 2025. Rather, we shall prepare several alternative feasible options to be entered into the tCSNP2 Refresh. The final option shall only be confirmed following assessment in the first CSNP.

³ [tCSNP2 Refresh Summary Methodology, March 2025](#)

⁴ [Decision on the regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](#)

⁵ [tCSNP2 Refresh Key Dates for 2025/26](#)

The licence conditions and guidance must confirm intentions regarding reporting requirements for the “Development Track Report” that must be submitted to Ofgem as part of the Development Track PCD. We understand this to mean we must submit a “Basic PCD Report” as outlined in paragraph 6.4 of Ofgem’s Price Control Deliverable Reporting Requirements and Methodology⁶.

We encourage Ofgem to update revise wording for NHNC Development track PCD output to: “***Develop multiple feasible options for project NHNC to develop multiple feasible options to the tCSNP2 Refresh; to submit a Development Track Report to Ofgem and to submit options to NESO via the system requirements form***”.

Development Track Funding

The guidance should be updated to confirm how Development Track funding can be revisited in the event of the tCSNP2 Refresh being significantly delayed beyond the end of RIIO-T2.

Project Names and Definitions

We provide a table below of several current tCSNP2 project codes and descriptions along with our proposed improvements to these. As we progress with our tCSNP2 portfolio, our updates best reflect our projects as they currently stand, accounting for changes in project scope owing to evolving interface points, increased congestion and connection requirements. We encourage Ofgem to update project names and definitions with our suggestions.

Current NOA Code	Current Project Description	Updated NOA Code	Updated Project Description	Rationale for Change
Shetland to Coachford	HNDFUE AC project: Shetland to Blackhillock	Shetland to Aberdeenshire	HNDFUE HVDC Project. Shetland to Aberdeenshire 2GW HVDC link	Our proposed change in scope for our ASTI BPNC / BBNC project will mean that the link connects into an alternative location in Aberdeenshire.
DSUP	Replace the existing 275kV double circuit OHL from Dounreay - Thurso - Spittal with a new 400kV double circuit OHL. Install new 400kV substations at Dounreay and Thurso with 2x400/275kV SGTs at each site to connect to the existing 275kV substations.	N/A	Dounreay - Banniskirk 400kV Reinforcement	The detail included in the original description is overly prescriptive to the project. As project development continues, our updated description will ensure the project scope is amended as we refine our design and detail.

⁶ [Price Control Deliverable Reporting Requirements and Methodology Document](#)

Current NOA Code	Current Project Description	Updated NOA Code	Updated Project Description	Rationale for Change
LPUP (formerly PPUP)	Peterhead - Persley – Kintore - Kincardine 400kV OHL Upgrade	N/A	Longside - Peterhead 400kV upgrade	We have changed the name of our Peterhead 2 substation to Longside substation. Our LPUP line will involve rebuilding a short section of OHL and is smaller in scope than our PKUP project, which involves both OHL and substation works.
NHNC	New Deer 2 (SSEN) - Tealing (SSEN) - Harburn (SPT) 400kV New Double Circuit	N/A	East Coast 400kV New Double Circuit	Owing to the conceptual nature of NHNC and its energisation date in the late 2030s, our suggested description is more appropriate than tying TOs to a specific scope that has the potential to change. In lieu of this proposal, we encourage Ofgem to update the description to match updated substation names: New Deer 2 is now Greens; and Tealing substation is now Emmock.

KKRE

Following the tCSNP2 framework decision⁷, we are currently in discussions with Ofgem to identify the most suitable regulatory mechanism to proceed with establishing a tCSNP2 output for KKRE.

NNNC

We welcome the inclusion of NNNC in our existing ASTI BPNC project. The pre-construction works required for our NNNC project will be covered by our ASTI BPNC project. We do not anticipate requesting additional PCF for NNNC beyond that provided for BPNC. We expect to outline funding requirements for NNNC in our PA submission for BPNC. 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.

Price Base

For the avoidance of doubt, we encourage Ofgem to confirm that the price base within the licence conditions and associated guidance as “in 18/19 prices”.

⁷ [Decision on the regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](#)

PCF Funding Gap

We have identified a potential funding gap within PCF for tCSNP2 projects, where PCF appears to provide funding up to the point of submission of planning consent applications. This differs from the approach under LOTI, where funding is available until material planning consent is obtained. In practical terms, the period between submission and securing material planning consent could extend for a significant period of time, leaving a significant phase of project development without funding. While we understand that this outcome is likely an unintended consequence of licence updates made to accommodate ASTI and project acceleration, it nonetheless presents a challenge. To mitigate this issue, we urge Ofgem to revise the Pre-Construction Works definition to ensure continued funding through this crucial phase.

We believe there is value in decoupling the tCSNP2 PCD output from the Pre Construction Works definition. As we understand it, PCF is for supporting efficiently incurred costs for BAU activities ahead of beginning construction on site, and is intended to be allowed beyond the submission of planning consents (i.e. the PCD date) if still on approved Pre-Construction Works. Our suggested updated Pre-Construction Works definition will ensure we exhaust PCF funding only when the outcome of planning consent approval is achieved:

*“undertaken for the purposes of developing a LOTI, **ASTI or tCSNP2** to the point where all material planning consents have been obtained and the project is ready to begin construction, or developing an ASTI to the point of submission of all material planning consent applications”.*

Pre-Construction Works

We welcome Ofgem’s decision that tCSNP2 projects shall have access to PCF funding and the Advanced Procurement Mechanism, once available. We broadly support the use of the RIIO-T2 PCF definition for the tCSNP2 special licence conditions in RIIO-T2, with caveats that we would encourage Ofgem to update descriptions of some activities to ensure appropriate activities are in scope, described below.

As noted above, any definition or allowance change (i.e. 2.5% PFC upfront) should be retrospectively amended to align with the RIIO-T3 PCF definition and allowance (as set by Ofgem through RIIO-T3 Draft and Final Determinations). We continue to engage with Ofgem and have presented our most recent proposals during the RIIO-T3 Load Working Group.

Aligned to our T3 proposals, we advocate for the inclusion of Early Enabling Works (EEW) within PCF. In the absence of Early Construction Funding, we are supportive of EEW moving into PCF in RIIO-T3, but it is important to highlight that current pre-construction allowances do not include EEW. The inclusion of EEW activities within the PCF allowance would result in an additional uplift and overall greater cumulative initial PCF allowance for the relevant funding mechanism.

Broader Regulatory Horizon

The tCSNP2 licence conditions will serve to set a precedent for the enduring CSNP. Ofgem must therefore outline expectations in RIIO-T3 Draft Determination around the interactions of tCSNP2 with other activities

in the regulatory space, including the Connections Reform, the tCSNP2 Refresh, T3 Load Related Reopener and more. There is a risk that timings for these activities will impact tCSNP2 project development negatively, if not considered in the round.

We support the use of RIIO-T3 mechanisms for further funding of tCSNP2 projects. Once the T3 funding route is confirmed at Draft Determination, we encourage Ofgem to retrospectively update the tCSNP2 guidance appropriately. It would be pertinent to amend Section 2.6 in the tCSNP2 guidance to reflect the intended funding route(s), including future awards of PCF for new or AC projects:

“We intend to provide further funding to any tCSNP2 projects recommended in the tCSNP2 Refresh through use of the Re-openers covered in this guidance and RIIO-ET3 mechanisms.”

Next Steps

We are currently updating our total forecast project costs for our Delivery Track projects and look to provide Ofgem with a transparent view of these costs in due course. As our project development moves beyond the base scope assessment defined in the tCSNP2, we must review our total project costs to reflect the detailed scope and design of our projects. We expect an uplift to project costs for the non-exhaustive list of reasons below:

- **Connections analysis:** Our analysis of generator demand and GSP connections informs the interfaces and dependencies required for our projects. We must ensure that we meet the needs of existing and future customers.
- **Operator needs:** Our considerations of the broader project landscape, strategic fit and overall acceleration objectives often drive up our costs.
- **Consequential needs:** As we progress through development and opportunity phases, we are identifying the need for additional scope elements triggered by the base scope project and our wider business needs. For example, on our Shetland to Aberdeenshire project, our work to date on refining cable route has resulted in increasing both onshore and offshore cable length and therefore cost. As design progresses, we expect our onshore cable route lengths may increase further but expect our offshore cable length will decrease.