

Reference

Cadent-CSNP Guidance

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Dear Tristan/Konark

Consultation: Draft Centralised Strategic Network Plan Guidance

We have responded to specific questions in the Annex attached below.

As well as these specific response to the consultation, we would also like to draw your attention to a number of high level points.

Firstly, whilst we appreciate there may be particular circumstances driving the sequencing of events, we do not believe consulting on Guidance after the Methodology it drives, is good practise. This has prevented stakeholders testing the draft Methodology against the confirmed Guidance, a key step in gaining informed feedback. This would involve stakeholders having to devote additional time to review the Methodology alongside the Guidance. To make use of this feedback the NESO would need to provide another Methodology consultation. We urge Ofgem to only repeat such an approach in future in exceptional circumstances.

Having now seen the two drafts, we are concerned that together, they could present more of a barrier than a help to industry and stakeholders, given their combined size. This will mean many potential stakeholders will either be put off engaging, or will be forced to dip into discrete sections of the documents, and will therefore not be able to comment on overall consistency and whole system effectiveness. A shorter Guidance document would be hugely beneficial, with Ofgem able to address any concerns they have on the emerging Methodology through direct involvement with the NESO team, or ultimately by formal direction as part of the Methodology assessment and approval process. A more concise principle based Guidance Document would be more supportive of an

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open, transparent and manageable framework that more industry stakeholders can feel comfortable they understand.

A further high level observation is the consistency between the SSEP and the CSNP. We expect the CSNP to be driven by a single approved SSEP Pathway, and this will help remove future uncertainty when it comes to making investment decisions. We question therefore why the CSNP Guidance includes complex requirements for sensitivity analysis and stress testing. This would seem to be missing the point of the SSEP.

Finally, we would like to see the CSNP Guidance provide clarity and consistency on the grey area between transmission and distribution. In electricity, 132kV will be treated differently between Scotland and England and Wales as 132kV is considered transmission in Scotland. We believe the Guidance should include an explanation of the treatment of this lower voltage tier. The continued exclusion of the 132kV from the CSNP process outside of Scotland is an anomaly, and could be addressed quite simply in the CSNP process.

Similarly, High pressure gas transmission assets performing comparable bulk transportation duties are not included in the CSNP through no other reason than they are not owned by National Gas. The GDNs extensive transmission assets are able to play a key role in addressing network needs identified through the strategic planning process, and excluding them is likely to result in sub-optimal network development solutions being taken forward.

As ever, we are very happy to discuss any aspect of this response with you. This response should be treated as non-confidential.

Yours sincerely

Stuart Easterbrook

Head of Net Zero Energy Frameworks



Annex: Our response to specific questions posed by the consultation

Do you agree that Chapter 2 – developing and submitting the CSNP Methodology - adequately reflects the policy intent of the CSNP? Please provide the reasons and any alternative suggestions if you disagree.

Paragraph 2.5 says: *Before each successive CSNP cycle, the licensee must review the previous CSNP Methodology and consider any improvements to better facilitate the achievement of the licensee's network planning objectives and obligations.*

We think it would be helpful and informative if these objectives and obligations were summarised in the Guidance document to aid stakeholders determining whether the Methodology or a change to the Methodology better meets these objectives.

Do you agree that Chapter 3 – general requirements applying to all CSNP stages - adequately reflects the policy intent of the CSNP? Please provide the reasons and any alternative suggestions if you disagree.

Paragraph 3.4 says: *For the CSNP, the licensee must consider the electricity, natural gas, and any proposed hydrogen networks and their interactions, as described below.*

We do not believe how each vector interacts as part of a whole system approach is a policy objective the Guidance or Methodology are currently meeting. Each vector is considered in isolation with each vector providing its own solutions to its own problems. Driven by the Guidance documents, the SSEP and CSNP should become properly whole system at the earliest opportunity to ensure the transition to net zero is fully optimised.

Paragraph 3.14 says: *The licensee must clearly set out in its methodology, the interactions between related planning frameworks such as the SSEP, RESP and CSNP, as well as the FEP.*

We fully support this requirement, but note that direction may be required in terms of where the management of interactions is set out. If it is in one Methodology or another, it is bound by their governance, which may not be appropriate. One option would be to produce a standalone document, with its own self contained governance. This could then be referenced by each of the individual Methodology documents.

Para 3.21 references: *selecting the optimal solutions that best meet the CSNP objectives as per the requirements set in chapter 7 of this Guidance*

We are concerned that there may be far too much scope for discretion when making decisions on optimal solutions, without other checks and balances. One possible check could be to require the NESO to explain how any preferred solution is optimal i.e. what has it been optimised to achieve, and also for the NESO to explain how this optimisation



compares with previous decisions. Alternatively, the NESO should set out in great detail now how it will optimise, including criteria and how they have been applied and weighted.

Para 3.22 refers to network owners and the NTS System Operator being responsible for developing reinforcement options. For clarity we think reference should be included for reinforcement for demand or supply reduction scenarios as well as increases in production or demand.

Para 3.23 covers the engagement required on proposals. We would like to see the Guidance encouraging a whole system approach so that other vectors are routinely and actively consulted on options in other vectors.

We fully support the approach described in 3.28 and 3.28

When considering the design, location and technology of projects in its strategic network plan, we expect the licensee to suitably put the interests of the consumer at the heart of decisions and reflect the views of local communities.

The licensee should give assurance that its plan as a whole is optimised for the key assessment criteria of environmental and community impacts, deliverability, operability, and is economical.

We do not believe this is happening on a whole energy system basis but largely within vector. We would like to see the Guidance clarifying that a whole energy system approach is required, not least because consumers and communities want the best energy solution, not the best solution within a vector.

Para 3.50 discusses the approval process. We note the ability of Ofgem to return the CSNP to the NESO, however we think that in some circumstances this could delay the overall plan. Conversely, it could result in Ofgem approving the plan as they don't think sub-issues warrant an long delay to the whole plan. We think these concerns could be addressed by Ofgem being able to approve the bulk of the plan subject to changes being made to specific components.

We would also like to see a clearer process to highlight disputes between parties and the NESO. We think the NESO should have a formal dispute process with any disputes and the NESO's approach set out as part of the CSNP submission, so that Ofgem is fully aware, and if necessary can direct accordingly.

Do you agree that Chapter 4 – Stage 1: model future energy supply and demand - adequately reflects the policy intent of the CSNP? Please provide the reasons and any alternative suggestions if you disagree.

We have no specific comments on Chapter 4.



Do you agree that Chapter 5 – Stage 2: identifying system needs – adequately reflects the policy intent of the CSNP? Please provide the reasons and any alternative suggestions if you disagree

We fully support the statement in Para 5.2:

The identification and communication of CSNP system needs must form the backbone of a transparent, coordinated, and evidence-led approach to network planning. To maintain credibility and stakeholder confidence, the licensee must ensure that system needs are clearly articulated and supported by traceable data and analysis. The approach to assessing and defining system needs should be reviewed in-line with the periodic review of the CSNP methodology or more regularly if required.

This should apply to all aspects of the development of the SSEP and CSNP, including transparency and traceability of any key data sources provided by Government or other external bodies.

We welcome the statement in 5.23 that for emerging hydrogen networks, the SSEP will lead the development of hydrogen system needs. It is recognised that early forecasting will be subjective and rely heavily on data from industrial clusters, and from both established and prospective hydrogen business model applicants. The licensee must outline its approach to engaging with these key stakeholders in developing the needs case.

As an organisation in the vanguard of the development of large scale regional hydrogen systems, we think the level of engagement by the NESO needs to improve and to include a focus on the demand side as well as network/production/storage.

Do you agree that Chapter 6 - Stage 3: identifying options - adequately reflects the policy intent of the CSNP? Please provide the reasons and any alternative suggestions if you disagree.

We note in Para 6.3 that:*effective data exchange between key parties involved in the CSNP process is critical to its success.*

We agree with this, but we'd also like to see highlighting of the need for data symmetry across similar parties. Networks for example should be expected to provide data of a similar quality and granularity, within comparable timescales, recognising that data provision incurs costs. It would not be fair or reasonable to lock in a different level of long term data requirement across comparable organisations. Whilst short term lack of alignment may be justified, this should not be an enduring arrangement.

Para 6.4 says that: *We expect the licensee to:lead a review of existing codes and consider developing new codes if required, to ensure they support the effective and efficient exchange of information that is needed to implement the first CSNP.* We note that the NESO does not have any powers to develop a new code on its own.

From Para 6.32 there is a discussion on 3rd party option submission. We note that it isn't clear in the Guidance whether TOs can submit options outside of their territories, and whether this would be considered a 3rd



Party? If networks are expected to only offer options within their geographical patches, then for clarity, this should be clearly set out in the Guidance.

Para 6.46 discusses the need for the NESO to consider the impact on the methane system of the repurposing of methane assets. We note that as a GDN is able to submit hydrogen proposals involving the repurposing of the GDN assets, is it correct to assume the NESO will need to model this repurposing impact as well as NTS repurposing? If not, how is this impact assessed and included in hydrogen optioneering?

Do you agree that Chapter 7 - Stage 4: decision-making framework - adequately reflects the policy intent of the CSNP? Please provide the reasons and any alternative suggestions if you disagree.

Para 7.20 sets out how the CSNP options selection decisions will be taken and says: *We expect the licensee to set out in the CSNP Methodology how decisions will be made to select projects to address identified system needs in pursuit of net zero and other government targets while striking an appropriate balance between:benefits including, for electricity, the avoided costs of constraints and avoided carbon emissions.*

The inclusion of constraints costs creates an unfair comparison with non-electricity sectors. High constraint costs only exist because of the policy of 'Connect and Manage' which allowed renewables to connect ahead of the required network upgrades. In the past, the new green power producers would have had to wait for the reinforcement so no constraint costs would have been incurred. This can be seen if a hydrogen production development is compared with a new wind farm. Once built and the local grid connection commissioned the wind farm can operate, and contribute to an increased constraint cost until the required wider reinforcements are completed. The wider reinforcement sees a positive CBA due to the avoided constraint costs. The hydrogen cannot get to its customers until an end to end network is built, so there are no equivalent constraint costs to contribute to the CBA for the hydrogen network build, making it look less attractive on paper than a wind farm of comparable scale.

It would be a level playing field if an equivalent constraint cost is constructed for hydrogen production, or if the constraint costs in electricity are not included. A level playing field across vectors will be critical in delivering an effective whole energy system approach.

Para 7.26 describes the supporting evidence required for each selected option. We would like to see a clear requirement for detailed information on what is demonstrably the Second Best Option. This would avoid the possibility of only less plausible alternatives being defined to make the preferred option look more attractive.



Do you agree that Chapter 8 – develop a CSNP - adequately reflects the policy intent of the CSNP? Please provide the reasons and any alternative suggestions if you disagree.

Para 8.12 talks about consultations. We would be keen to see the requirement on the NESO to set out for each consultation, how it will capture, respond and react to feedback received.

Para 8.29 relating to hydrogen states that: *The licensee must clearly outline in its CSNP Methodology publication, the programme of work for hydrogen strategic planning, how this will be incorporated into the CSNP and how the approach will continue to develop.* Whilst we understand how the emerging regulatory and market framework for hydrogen systems complicates matters, but we think there is a step change required in the NESO's activities in the hydrogen space. In particular, a much stronger and granular grasp of the industrial demand side is required.

Do you agree that Chapter 9 – Stage 6: handover to a delivery body - adequately reflects the policy intent of the CSNP? Please provide the reasons and any alternative suggestions if you disagree.

We have no specific comments on Chapter 9.

Do you agree that Chapter 10 – Other planning roles in CSNP - adequately reflects the policy intent of the CSNP? Please provide the reasons and any alternative suggestions if you disagree.

We're proposing that offshore connections should be planned within the scope of the CSNP. We set out our requirements on the licensee with regards to this additional scope (see chapter 10: Electricity - offshore network planning in the CSNP). What are your views on this proposal?

Para 10.2 on Climate and Broader Resilience says: We expect that the licensee develops its capability to evaluate the climate resilience of energy infrastructure in the CSNP.... We think it would be helpful to add clarity on what energy infrastructure is in and out of scope.

We note the section in Chapter 10 on Electricity Interconnectors but note that there doesn't seem to be a comparable section on gas interconnectors, and the treatment of offshore hydrogen production is also unclear.