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Draft Centralised Strategic Network Plan Guidance: NESO Response

Dear Tristan,

Thank you for the opportunity to respond to this consultation on the proposed Centralised Strategic Network Plan (CSNP) Guidance document.

Who we are

The Energy Act 2023 set the legislative framework for an independent system planner and operator to help accelerate Great Britain's energy transition. National Energy System Operator (NESO) is the independent public corporation at the centre of the energy system, taking a whole system view to create a world where everyone has access to reliable, clean and affordable energy. It is NESO's job to steer the transformation of the energy system to meet these challenges and transition to a low-carbon future, embracing new technologies and cleaner generation sources, always with the cost to the consumer in mind.

Our duties are laid out in statute. Our primary statutory duty is to promote three objectives: enabling the government to deliver net zero, promoting efficient, coordinated and economical systems for electricity and gas and the economy and efficiency of energy businesses and ensuring security of supply for current and future consumers.

We are similarly obliged to consider impacts on the whole system. We look across natural gas, electricity and other forms of energy and engage with participants in all parts of the energy system to deliver the plans, markets and operations of the system of today and the future. NESO must also have regard to the need to facilitate competition, the impact on consumers and the desirability of facilitating innovation. These are statutory obligations placed on us on which Ofgem can rely.

Our Strategic Energy Planning role

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NESO has a central role in ensuring an efficient and coordinated future energy system through our independent strategic planner activities. We have been entrusted by the UK, Scottish and Welsh governments with the delivery of the Strategic Spatial Energy Plan (SSEP). For the SSEP we have established a governance structure that allows the governments and Ofgem to provide strategic direction and advice as we develop the SSEP, as well as allowing for expert and stakeholder input. The final choice of pathway will be made by the Secretary of State. We have also been appointed by Ofgem to deliver the Regional Energy Strategic Plans (RESP).

We have an established track record in delivering network plans for electricity, through the Electricity Ten Year Statement (ETYS), Network Option Assessment (NOA) and transitional CSNP processes. Since becoming NESO, we have delivered our first gas network planning output – the Gas Network Capability Needs Report (GNCNR) – and are in the process of developing the Gas Options Advice (GOA) document.

Through the SSEP we are mapping the optimal zonal locations of electricity and hydrogen generation and storage, having co-optimised these with high-level network requirements. The Centralised Strategic Network Plan (CSNP) will then design the gas, hydrogen and electricity networks that deliver the strategic network needs of the SSEP. Our new strategic and coordinated approach is crucial to provide clarity to industry, investors and consumers across electricity, gas and hydrogen. It will help shape Great Britain's energy system to match future market and consumer needs, ensure energy security, deliver clean – affordable energy and help enable economic growth.

Our role in delivering the CSNP methodology and CSNP

We fully support the purpose and intent of the CSNP to provide an independent, coordinated, and longer-term whole-system approach to planning the electricity and natural gas transmission network, as well as hydrogen transport and storage networks across Great Britain (GB) to help meet the government's net zero ambitions. We are proud to be the body responsible creating the CSNP.

In July, we published the draft CSNP Methodology for consultation. We received feedback from a wide number of stakeholders, and we are considering that feedback now to prepare the final methodology. We also expect to incorporate the final guidance document from Ofgem once it is produced. The nature of the guidance document in placing detailed requirements on NESO for the CSNP Methodology and the CSNP, means that we have provided significant detailed comments on the drafting of the Guidance. Working together, our shared expertise will ensure the guidance and methodology are robust, agile, and fit for purpose as we navigate the ever-evolving energy landscape.

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Our key points

Our key points in response to this consultation on Ofgem's proposed Guidance document are set out below.

Degree of specificity

We need to strike an appropriate balance regarding the level of detail which is included in the Guidance document for the first CSNP. This is a new process, with key external inputs that remain outstanding, as such some agility and flexibility will be required to shape the CSNP as it progresses through each of its stages. Similar to other methodologies (such as SSEP), we expect some of the details to be designed and agreed upon using the CSNP governance and stakeholder engagement processes, complementing and enhancing the approach set out in the methodology.

In areas, the Guidance document feels more prescriptive than it needs to be and directing NESO on how to carry out activities that make up the CSNP. For example, the level of detail around elements of stakeholder engagement to be included in the Methodology are too detailed and may limit our ability to respond appropriately.

It would be more useful for the Guidance document to describe outputs, which then allows for flexibility and adaptability in how we, along with our stakeholders would achieve those outputs.

Enduring vs first of its kind

Each version of the CSNP will be shaped by stakeholder engagement, enhanced by future tools developments and wider industry initiatives and policy direction. Adaptability and flexibility in the Guidance document and the Methodology is crucial in ensuring that the CSNP can keep pace with future asks from all its stakeholders; with NESO fully supportive of an external review of the Methodology for every CSNP cycle.

The Guidance document aims to capture current and future requirements in a single document which adds complexity to the expectations of the first CSNP. We agree the principles of the CSNP can be enduring. However, like the Methodology, NESO would advocate that the Guidance would benefit from being formally reviewed for every CSNP cycle. This will ensure that the Guidance focuses on the detail for the forthcoming CSNP and ensure that the Methodology fully aligns with the specific asks for that cycle. This approach would provide additional clarity to the public on what each CSNP will encapsulate and provide as it moves at pace to fully align with the enduring principles as set out in the Guidance.

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Timing

The Guidance sets out the expectations and requirements for NESO to meet its CSNP license obligations. Given the importance of the Guidance in shaping the Methodology and the plan, there is benefit in the Guidance to be finalised before we submit the proposed Methodology. This will allow the Methodology to consider and capture any amends to the Guidance document. We would welcome continued discussion on this whilst ensuring that the submission (and eventual publication of) the Methodology does not materially influence the delivery timescales for the first CSNP.

We support the intent of the Guidance and continue to advocate for further refinements to ensure it is adaptable, proportionate, and clearly defined, enabling us to finalise the CSNP Methodology. This, in turn, will allow us to operate a strategic planning process that is robust, transparent, and responsive to evolving policy, stakeholder, and market needs. Ultimately, this will enable us to deliver CSNP plans that drive strategic investment and secure a sustainable, reliable, and fair energy future for consumers.

We look forward to engaging with you further as we finalise the Methodology and undertake the first CSNP cycle. Should you require further information on any of the points raised in our response please contact Lilian MacLeod (Lilian.MacLeod@neso.energy).

Yours sincerely,

Dr Paul Wakeley
Head of Strategic Network Development