

2nd August 2013

Integrated Transmission Planning and Regulation (ITPR)

Consultation Response

The Essex and Suffolk Coalition of Amenity Groups has been engaged in the Offshore Transmission Coordination consultation (OTCG), in ITPR, RIIO and in national transmission consultation undertaken by NGET.

Throughout this process we have argued that certain principles are fundamental to an outcome that will be judged successful for the future of energy transmission:

1. Sound economics embracing established best practice, aligned with the Treasury Green Book and emerging concepts of Natural Capital and WTP.
2. Integrated strategic planning that embraces the spirit as well as the letter of the economic principles set out above.
3. A long term, progressive strategy that promotes innovative solutions for the protection of our natural environment and thus for our wellbeing.

ITPR is a necessary part of the extensive restructuring of Europe's generation and transmission infrastructure. However, we have some general concerns about the current approach and about specific possibilities raised within the 'emerging thinking' document. On the basis of the recent workshop it appears we are by no means alone.

Overview

The linear approach outlined in ITPR system planning models (Fig 2) appears based on technical and market requirements. Local planning processes are shown as a 'given' towards the end of the project journey. In one practical sense this the way the process must work but at the same time local planning issues, which impact on people and the environment local to the project, should be factored into the strategic stages.

In the 'real world' this is already happening to some extent in that some market-driven project developers (eg generator build) are taking a pragmatic approach to public concerns. Within the ITPR models there is an opportunity to go further and factor in the socio-economic principles, as illustrated above, at the outset.

We regard some of the organisational detail being discussed within ITPR as a matter for the energy industry and have not therefore provided a response to many of the questions posed by the consultation document.

From our perspective the IDA model (Independent Design Authority) has merit in avoiding the conflicts of interest inherent in other models. It would also benefit from independence and transparency and might thus be best able to fulfill the objectives that we value.

On the other hand, we appreciate there are well-argued opinions from some commercial sectors that a Directive Co-ordinator (which might be an IDA) would have difficulty ensuring delivery of an efficient, integrated network and would thus be ineffective¹. It might even become little more than a 'standing ENSG', replicating design work already being produced, largely by NGET.

One method of overcoming such problems - and the much discussed stranded asset/'chicken and egg' scenarios - might be for Ofgem to incentivise a cooperative approach by multiple parties that are able to collaborate in a sound business case for integrated projects. This might, for example (as posed in question 8) take the form of relaxing strict licensing rules to make a bootstrap a viable proposition. Relief of onshore network constraints might form a highly valued part of the business case. Decisions over such investment would not be at Ofgem's "discretion"; a concept which seems to alarm many within the industry and could imply unfair advantage for some parties. Rather, decisions would follow prescribed model alternatives and would need to demonstrate compliance with overarching objectives.

Delivery

Ofgem's emerging thinking identifies the potential conflicts of interest that would result from an increased role for NGET, including an enhanced SO function, but then favours just such an increased remit for NGET. This would include new responsibility for coordination of system, planning: "working with relevant parties to identify potential coordination opportunities and preferred solutions at a GB level."²

It is unclear who the "relevant parties" might be but the context does not suggest they are likely to be at the 'sharp end' (the receiving end) of the proposed projects, whether statutory bodies or not.

In short we believe such an increase in NGET's role would result in real conflicts of interest and would stimulate increased suspicion of its motives. Combined with additional responsibilities, including management of the Capacity Market, NGET would acquire an unassailable knowledge base, making effective regulation increasingly difficult and resulting in distrust - even if unjustified - of strategies that appeared to be in NGET's commercial interests.

Practical detail

We do not see how any system can work efficiently without reform of the current connection agreement arrangements. Local planning proposals are being based on connection dates that all parties know to be wholly unrealistic but are unwilling to change for commercial reasons. There is a real danger this will

¹ Figure 2, page 14, ITPR, *Emerging thinking*, 5 June 2013

² *ibid* - Executive summary ii

increasingly feed into the strategic planning process and make integrated onshore/offshore planning even more difficult. This issue should be addressed as a matter of urgency.

The Essex and Suffolk Coalition of Amenity Groups

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Colne-Stour Countryside Association
CPRE Essex
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The Suffolk Preservation Society