

Call for Evidence

Topic 1- End of life Assets

In general we disagree with the assumptions that the ESO has made in this role and believe their analysis to quantifying the benefits from this area to be flawed and over stated.

Specifically, the proposal to extend NOA to end-of-life asset replacement decisions raises issues relating to the justification and cost-benefit analysis (CBA) of this initiative and the process for its implementation. The example given in the CBA supporting annex (Annex 2) is based on the TO planning to undertake works to replace an asset in 2025 and then to upgrade the same asset in 2030. The benefit that is calculated is based on the TO only undertaking one of these activities but adjusting the timing. It is not credible to state that the TO would seek to undertake both sets of work. The TO would progress the most economic, efficient and co-ordinated solution and the basis of this benefit calculation is therefore not credible.

The CBA benefit calculation makes an assumption that assets are replaced within 5 years of end of life where the life is stated as 40 years. This is incorrect and is not the basis on which SPT plan condition-related investments. This assumption underestimates the life of overhead line assets and makes a flawed assumption regarding the timescales for replacement. Assets are assessed on condition individually, rather than on a fixed timescale.

Further, page 88 states that the 'decisions will therefore inform investment beyond the end of RIIO-2'. We agree with this timescale but note that on the same page, £118m of benefit is claimed for RIIO-2 and this is verified in table 109 in the CBA annex. Any benefits would arise at the time of the avoided investment, not at the time that the decision is made. As there would be no impact on RIIO-2 investment, this benefit should be zero for RIIO-2.

The terminology that the ESO would make decisions on TO investments is concerning. Investment decisions are the responsibility of the TO and clarification of the ESO's proposal is therefore required. It is notable that the current NOA references 'recommendations' rather than decisions.

The business plan states that the TOs cannot undertake the necessary analysis as they do not have access to the necessary data. The System Operator Transmission Owner Code Procedure (STCP) 16-1 makes provision for the ESO to provide the TO with the necessary data for the TOs' investment planning purposes. Therefore, in the majority of cases, the TOs will have the ability to undertake the analysis that is the basis of the ESO's initiative. While there may be some limited circumstances where there are wider considerations that are not visible to the TO, the extent and scale of the benefit proposed by the ESO is significantly overstated.

Supporting Evidence: NGESO Main Business Plan

p79: What we propose to do Enhance and expand the NOA process to look at more connections wider works and end-of-life asset replacement.

parar 6.2.3.2. A9 Extending NOA to end-of-life asset replacement decisions and connections wider works. The gross benefit of this activity is £266 million comprising £118 million end-of-life asset replacement and £148 million connections wider works.

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We propose to expand our network-planning processes to look at end-of-life asset replacement decisions for large assets (A9.1), with the first recommendations to be NOA 2024. These decisions will therefore inform investment beyond the end of RII0-2. We will work closely with the TOs to develop an efficient route to input our analysis into their decision making processes.
(D9.1)

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