

# **SHE-T Q4: Annex 2**

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## CVP 2B: Connecting for Society Above BAU in whole system network: Network Access Policy

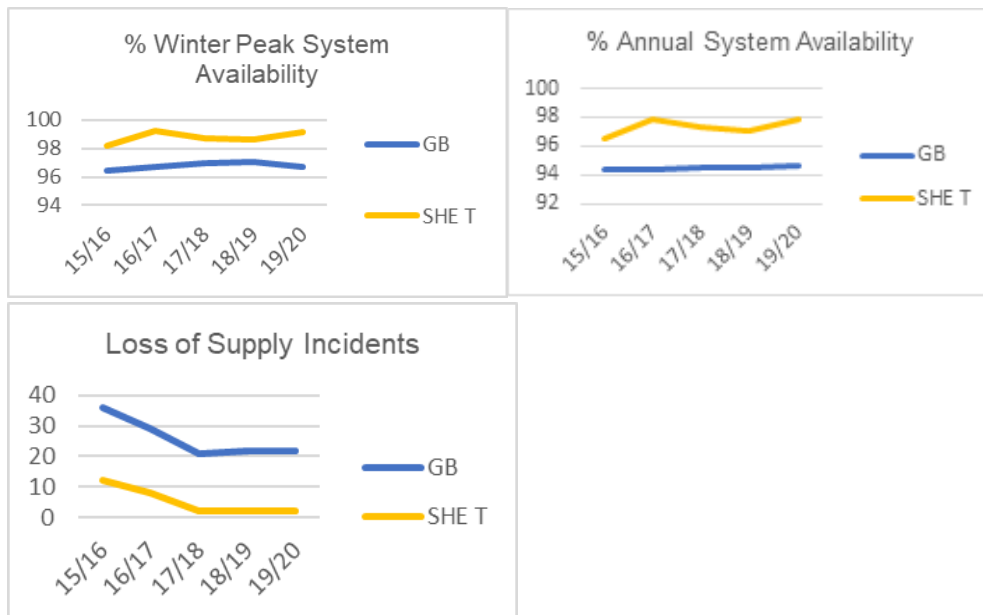
### Stage 1: Minimum Requirements +

We note and accept Ofgem's response that the Network Access Policy is a licence condition. However, we have clearly set out where we have gone above those licence conditions **taking a whole system approach**:

- TOs are **not responsible** for managing whole system costs under the NAP, this is the responsibility of the ESO.
- We have outlined proposals under our SHE-Transmission NAP submitted as part of our RIIO-T2 Business Plan to work closely with the ESO and connected customers, taking a whole system approach, under our proposed enhanced customer engagement. This is **above the minimum requirements** set out by Ofgem in their business plan guidance.
- Our RIIO-T1 track record demonstrates our whole system approach delivers **better performance** (see below) and consumer value
- Our CVP is based on our innovation and enhanced engagement which has resulted in our demonstratable industry leading performance during RIIO-T1. Although whole system costs is not a licence condition or obligation of the TO **we have evidenced whole system solutions**.

We have included our industry leading performance in our CVP proposal to highlight our commitment to continuous improvement throughout RIIO-T2 using enhanced engagement with customers and innovative solutions.

During RIIO-T2 the number of customers connected to our network is set to increase and with the projected electrification of heat and transport we could also see new demand customers (such as electrified rail and large-scale batteries). This increase in customers requires **more innovation and enhanced engagement** which we have outlined improvements through our stakeholder-led Commercial and Connections Policy and NAP Policy amongst others. **We feel is above BAU or minimal requirements and deserves recognition.** The graphs below all use data from the [NGESO published System Performance Reports](#). The high availability figures show that by applying NAP principles, we minimise system access and achieve higher than average system availability. The very low level of Loss of Supply incidents shows we maintain a safe and reliable network, the first principle of the NAP. The combined effect of these is that our outage planning accuracy continues to improve which stakeholders consistently raise as an expectation.



## Stage 2: Stakeholder support and consumer value

We note Ofgem's draft determination is partly based on the lack of stakeholder support. Our Network Access Policy was developed as part of the engagement with connections customers on the Commercial and Connections policy. In addition to this engagement we also targeted customers who were already connected to our network through bi-lateral engagement and as part of the OC2 forum<sup>1</sup>. The extensive stakeholder engagement was outlined in response to SQ 19 and is acknowledged by Ofgem in their draft decision to CVP 2A.

## Stage 3: Monetisation

We have demonstrated these consumer savings using a robust evidence-based approach by using data from RIIO-T1 and forecasted potential consumer savings including costs for RIIO-T2.

We believe there is **significant consumer benefit** through ensuring that customers (renewable generators) remain connected to our network and are able to transport renewable electricity to end consumers, displacing carbon. In addition, we believe working proactively with the **customer and the ESO, taking a whole system approach, reduces constraint costs** which ensures the connected customer and consumer has an efficient service.

*The RIIO-T2 System Outage Management Proposals to Reduce Constraint Costs informal proposal document* sent to Ofgem outlines the expected cost to consumers of constraint charges in RIIO-T2 is looking to increase from the 2019/20 costs of £714m<sup>2</sup> into the thousands of millions against the ESO's FES. There is a **huge opportunity for consumer value** from efficiencies via whole system solutions led by the TO.

We have demonstrated this value from monetisation using an evidence-based approach from RIIO-T1 innovations using displaced carbon and constraint savings (provided by the ESO). In our business plan **to avoid any duplication with CVP 2 A we removed the displaced carbon value.**

<sup>1</sup> See page 4: <https://www.ssen-transmission.co.uk/media/3722/network-access-policy.pdf>

<sup>2</sup> <http://data.nationalgrideso.com/backend/dataset/f89a12fc-94ef-4a09-bce2-c094c7212e1f/resource/e711cf04-3d76-4c22-8ee91fd04fe666b2/download/mbss-data-march-2020.xlsx>



However, we have responded to Ofgem's feedback that this is difficult to monetise. Therefore, we have simplified our approach to our CVP 2 by only monetising benefits associated with displaced carbon. Please see revised approach to CVP 2.

## CVP 2C: Connecting for Society Local and Community Energy

### Stage 1: Minimum requirements+

Engaging with Local Authorities and stakeholders on LAEP is not part of our Licence Obligations or part of Ofgem's minimal requirements, Ofgem stated the October Business Plan Guidance:

*"For the sake of clarity, we are not imposing a requirement to produce LAEPs on networks in their Business Plan submissions and we will not take into account their activity in this area in our assessment of whether minimum requirements have been met for the purposes of the BPI. It may however be possible for the outputs from LAEPs that have been produced (or plans to produce LAEPs) to be considered as **part of the Stage 2 CVP**".*

We are therefore concerned with the comment that "LAEPs are a government initiative with mandated targets for meeting locally-owned energy and similar engagement has been undertaken as BAU in RIIO-1". It is important to acknowledge that Local Area Energy Plans are **not mandated by Government**, nor is there any requirement on network companies to support the development of these plans. Equally there is no certainty that the model of coordinated local energy planning known as LAEP's will be adopted as a standard. For example, the Scottish Government has encouraged Scottish Local Authorities the use of an alternative planning tool (local heat and energy efficiency strategies) before considering the merit of LAEP's<sup>3</sup>

Our proposals to support both LAEP and **LHEES recognises the value of these tools in acting as a prospectus for low carbon investment** while delivering the local and national infrastructure needed to achieve net zero. It also recognises that these benefits will not be realised without the input and engagement of network owners and operators.

### Stage 2: Stakeholder support and consumer value

Although engaging on LAEPs is a new initiative for RIIO-T2, we do have some experience from RIIO-T1. This involved supporting the low carbon ambitions of customer and communities on the Scottish Islands. **However, this activity was not part of business as usual.** The 'Alternative Approach' developed to support customers on Orkney, adopted a different route to support network development requiring derogations from existing licence condition to address challenges faced by our customers. As noted in our CVP proposal lessons learned from Orkney was to **engage earlier in the Local Planning Process**. Through this experience, industry trends and stakeholder engagement we think there is a consumer value from:

1. the democratisation and decentralisation of energy
2. efficiency saving and innovation through whole system planning
3. decarbonisation of heat and transport

To achieve this consumer value we have detailed initiatives. We note Ofgem's view that "*It is not clear what 'being a trusted expert and trusted partner' entails and no detailed initiatives or activities were outlined*" we refer to our Supporting Evidence "[Supporting Local Area Energy Planning and Community Energy Development](#)". It is important to note that this paper was informed by feedback

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<sup>3</sup> <https://www.gov.scot/binaries/content/documents/govscot/publications/consultation-paper/2019/10/scottish-governments-local-energy-policy-statement-consultation/documents/local-energy-policy-statement-consultation/local-energy-policy-statement-consultation/govscot%3Adocument/local-energy-policy-statement-consultation.pdf>

from our local and community stakeholders. Actions proposed by SHE- Transmission to become a “trusted partner” and the activities planned over the T2 period to deliver this are set out in Appendix 1.

[placeholder for stakeholder feedback here]

Please see appendix 1 of [“Supporting Local Area Energy Planning and Community Energy Development”](#). Which demonstrates that our proposed activities are underpinned by **our engagement with local and community energy stakeholders**.

### Stage 3: Monetisation

We set out in our response to SQ 33 that while there was no formal methodology for the monetisation of CVP’s we believe Orkney provides a good proxy because:

1. **Activities are aligned:** The activities that we undertook on Orkney are aligned with the activities that we will undertake through supporting future local area and community energy. This includes engaging with local stakeholders to understand barriers to connection, taking an advocacy and education role to break down barriers to connections, and taking a whole system approach by working with customers and key stakeholders such as the distribution network operators (DNOs). As noted in our [Supporting Local Area Energy Planning and Community Energy Development Policy](#), we have learned lessons from RIIO-T1 and we will take further action in RIIO-T2 to engage with local stakeholders earlier in the process and facilitate ongoing engagement as required.
2. **Benefits are aligned:** The types of impact experienced in Orkney are similar to the type of impacts we would expect from supporting local and community energy in RIIO-T2: avoided carbon emissions, avoided investment costs of from taking a whole system approach, socio-economic benefits and reduction on wholesale price etc. These benefits are **not geographically specific** to Orkney nor are they **specific to the outcome** of the exact engagement which was the Alternative Approach. The benefits come from **enabling** the connection and working together to inform Local Area Energy Plans to provide a whole system approach.  
However, we do recognise that the **scale of the benefits will be bespoke to each local area**, depending on their expectations and needs. For example, this could include a community energy project or the electrification of heat or transport in the local area. This is why each local area requires a tailored approach in line with our Commercial Connection and Connection Policy, there is no one-size-fits-all approach (we refer to this below).
3. **Orkney impacts were subject to robust, objective and independent assessment:** the impacts reported for Orkney were subject to external and independent scrutiny at the time of estimation back in 2018. The ESO provided the wholesale price benefit in its modelling and the carbon emissions and socio-economic impact were completed by an independent economic consultants (GHD). They were not estimated and valued with the CVP or any business plan incentive in mind.
4. We undertook the Orkney Alternative Approach when we had **no committed** and published [Policy](#) for supporting local area and community energy and prior to significant stakeholder and Government impetus for it. Therefore, it is reasonable to expect that we **will do more in RIIO-T2 than in RIIO-T1**. So, it follows, that using the of impact of RIIO-T1 will **likely underestimate** what we can achieve in RIIO-T2.

Overall, we believe our proposed CVP estimation is a **strong indicator of the potential benefits** and combined with our CVP 2A will enable more efficient and local low carbon projects.

**However, we have responded to Ofgem’s feedback that this is difficult to monetise. Therefore, we have simplified our approach to our CVP 2 by only monetising benefits associated with displaced carbon. Please see revised approach to CVP 2.**

## **Appendix 1**

This document therefore sets out the actions necessary for SHE-Transmission to become a “trusted partner” and the activities planned over the T2 period to deliver this. For example, under commitment 1 we set out what being a trusted partner entails, this includes but is not limited to:

- “A more pro-active approach to (community) engagement working together with our stakeholders to define the need and shape the appropriate solutions”.
- Reflecting local need in national infrastructure
- Providing a regional context to energy network development
- Work with SHEPD to maximise the value of our engagements and quality of information exchanged with LAEP partners
- Recognise the diversity of local energy ambition across the north of Scotland and apply this in our stakeholder-led whole system strategy ensuring that our load and non-load investments account for local need

Our planned activities include:

Short term (by March 2021)

- Engage with all local authorities in North of Scotland to explain our ambition in supporting local area energy planning (LHEES and LAEP).
- Work with SHEPD and colleagues across the transmission business that are engaging with the same stakeholders to align engagement and provide
- a consistent message.
- Work with SHEPD on the NIA project for Dudhope Grid Supply Point (GSP) in Dundee city centre.

Medium Term (By March 2023)

- Build on lessons learned from Dudhope GSP and apply to other non -load driven investment.
- Build on lessons learned from Aberdeen City Strategy to provide input for all local authority LAEP’s and LHEES

Long Term (By March 2026)

- Support all North of Scotland Local Authorities in the preparation of LHEES and LAEP.

Appendix 1 of this policy paper demonstrates that our proposed activities are underpinned by **our engagement with local and community energy stakeholders.**