

10 January 2016

Consultation response

The Essex and Suffolk Coalition of Amenity Groups

Extending competition in electricity transmission: arrangements to introduce onshore tenders

Overview

Our coalition has been an active participant in Ofgem's ITPR consultation process and in other consultation exercises, including RIIO-T1.

We have a particular interest in proposed reinforcement of electricity transmission infrastructure in East Anglia but also liaise with amenity groups in other parts of the country.

We welcome Ofgem's approach in seeking to develop effective competition and in its recognition of conflicts of interest between the System Operator (SO) and Transmission Owner (TO); a conflict we have previously argued has been exacerbated in recent years by extension of the SO's role.

A preferred basis for identification of projects for construction by a competitively appointed transmission owner (CATO) is well argued in chapter one of the consultation document (19 October 2015) and in the supplementary material. However, we would welcome clarity with regard to projects that have neared the formal application stage but which are now in abeyance, with an indeterminate re-start date (eg Bramford to Twinstead transmission reinforcement and related works).

While we support this examination of potential tender processes we are concerned about aspects of both the proposed models. Our submission therefore focuses on the consultation questions relating to the point at which CATOs would enter the tender process.

Where do CATOs fit in?

The consultation document and presentation slides of December 2015 appear to assume that the optimum method and route of transmission can be determined within the normal planning process by the SO (or TO in certain instances) without reference to options that a CATO might be able to introduce.

In the early CATO build model competition is introduced into high level asset design and consenting (3.9) but this is expected to result in engagement with detailed route planning rather than strategic proposals; proposals that might for instance be of interest to a CATO with OFTO experience.

Based on current practice, the initial applicant (SO or TO) should, in theory, consider all the options open to it in terms of route and means of transmission from the outset (HVDC v AC, overhead v underground/undersea etc).

It is apparent this has not been the case under the existing regime. For example, on the east coast a high capacity underground AC cable is due to be delivered by an OFTO in circumstances where it had previously intended to install HVDC and where the resident TO had indicated underground AC was not a viable option worth serious consideration for most of the next phase (transmission reinforcement). Although in this case issues of scale might still support the TO's argument, it is clear beyond reasonable doubt that fresh solutions to transmission delivery are developing faster than the regulatory regime, a regime that is intended to deliver 'optimum' outcomes.

Late CATO build obviously offers increased competition compared with subcontractor tenders for an SO or TO but this regime would still predetermine vital aspects of the project design on the basis of assumptions made by the SO. The early CATO build model may not fully overcome this problem, although it would be preferable in this regard.

One solution might be to facilitate a preliminary or 'outline' CATO tender at the "Initial Checkpoint" stage to help inform the tender process and prior to surveys and consents. This would provide Ofgem with an opportunity to evaluate the potential 'scale of benefits' from each proposed solution; for example, the

potential benefits of an innovative solution. If these benefits have the potential to be significant, this could merit funding of pre-tender system or technology development. It would also aid the consultation/consenting process, as there would be greater transparency and opportunity for scrutiny and concept testing. In practical terms it would mean counter schemes would be in the public domain from the outset.

Early stage engagement by interested parties (CATOs) may also assist in mitigating the conflicts of interest already identified in the consultation document. This highlights the exceptional advantages enjoyed by the incumbent SO/TO through strategic and technical prior knowledge (4.6 et al).

Of course, early CATO build implies a less rigid 'fixed price' tender process as there would be more variables and unknowns. In both models there is a danger that a capex constrained CATO might resort to cost cutting. This could impact on its dealings with communities and landowners if not on hardware or workmanship. Safeguards are clearly a necessity.

If a rigid fixed price tender framework is regarded as essential, late stage CATO build but with a completely independent SO - charged with a fresh mandate that improves the balance between raw financial measures and sound socio-economic principles - could potentially deliver significant benefits for all parties.

In relation to mitigating the risk of conflicts of interest (Ch 4 Q4) it therefore seems essential that either an early build CATO is involved from a high level or a late build CATO has confidence in a regime in which the SO and TO are completely separate entities.

The Essex and Suffolk Coalition of Amenity Groups

Bury not Blight
Colne-Stour Countryside Association
CPRE Essex
Dedham Vale Society
Stour Valley Underground