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Dear James,

Statutory consultation on a proposal to modify Special Condition 6I of National Grid Electricity Transmission's RIIO1 electricity transmission licence to implement the Hinkley-Seabank decision

This response is provided on behalf of National Grid Electricity Transmission plc (NGET) in our role as Transmission Owner in England and Wales. As the party delivering the project, we welcome the opportunity to respond to this consultation on Ofgem's proposals for statutory licence modifications to implement the final determination of the efficient capital costs of the Hinkley-Seabank (HSB) Strategic Wider Works (SWW) transmission project.

On the 14th August 2020, we responded to Ofgem's July 2020 informal consultation on these licence modifications. Unless expressly stated otherwise in this letter, our position should be taken as remaining as stated in that response.

We broadly welcome the proposed modifications to Special Condition 6I of the NGET transmission licence, and the changes to Ofgem's approach resulting from the informal consultation. We have the following detailed comments.

Ground conditions and planning risk

We welcome Ofgem's proposal to include two further risks – the imposition of additional terms or conditions of any statutory consent, approval or permission, and unforeseen ground or seabed conditions – in the Cost and Output Adjusting Event (COAE) regime.

As we stated in our previous response, the exclusion of these risks from the COAE regime would have meant we carry an unacceptable and unlimited risk of additional costs, and would be inconsistent with Ofgem's position outlined in the May 2020 funding decision. We therefore agree with Ofgem's revised view that these risks are covered by COAE.

COAE (definitions)

We also welcome Ofgem’s amendments to 6l.14(b)(ii) and (iv), relating to two specific COAE risks within Special Condition 6l. Our response to the informal consultation explained our concern that the previous drafting on risks for Brexit and contractor insolvency etc. was not sufficiently broad to give effect to Ofgem’s position on these risks in the May 2020 funding decision. We are now content that the changes more fully reflect the intended coverage of these risks.

Definition of the HSB output

As per our previous response, we confirm that we agree that the proposed spend profile to be added to Table 3 reflects the correct profile. However, we note that the technical deliverables for the Hinkley-Seabank output listed in Table 5 include two schemes that are already covered by other RIIO-T1 funding mechanisms. These are listed below along with the relevant existing funding mechanisms:

SpC 6l Table 5 reference		Route Code	Funding mechanism	Alternative name (scheme reference)
Hinkley Point	Shurton	JP	Generation Connections volume driver (Special Condition 6F)	SHUR4 Substation OHL Line Entries (20832L, 20832S)
Shurton	Taunton	ZZ	Incremental Wider Works mechanism (Special Condition 6J)	Reconductor of Hinkley Point – Taunton 1 & 2 and Hinkley Point – Taunton – Exeter (032033)

These schemes are already covered respectively by the Generation Connections volume driver (Special Condition 6F) and the Incremental Wider Works mechanism (Special Condition 6J). We therefore request that they are removed from Table 5. For the avoidance of doubt, the costs of these schemes were not included in our Project Assessment funding submission and therefore the Table 3 spend profile does not need to be altered.

The uprating of the VQ Route is listed in Table 5 as ‘Tower VQ1 – Tower VQ43’ and ‘Tower VQ43 – Bridgwater’. However, only a small portion of this route – the short cable section between towers VQ43 and VQ44 known as ‘Bridgwater Tee’ – is to be funded under SWW. The remainder of this work was determined not to meet the criteria for competition by Ofgem’s July 2018 delivery model decision. The costs of the VQ Route works, except for Bridgwater Tee, were not included in the Project Assessment. However, the VQ Route can remain in Table 5 on the understanding that only the Bridgwater Tee works are SWW.

We are happy to discuss further how to finalise the drafting of the output.

Table 5 includes a spelling error – ‘Bridgwater’ is incorrectly given as ‘Bridgewater’.

Treatment of late delivery

As stated in our previous response, we understand that at the beginning of RIIO-T2 the HSB output will either be added as an output at the end of the new proposed Large Onshore Transmission Investment (LOTI) condition or as an output elsewhere in the NGET transmission licence. It would not be possible for HSB to become a Price Control Deliverable (PCD) because these are agreed at the Project Assessment stage. HSB will therefore remain as a licence obligation in RIIO-T2. This means that the potential for technical breach of licence due to late or non-delivery would remain in RIIO-T2.

We welcome Ofgem's clarification that, if delay or cancellation of the Hinkley Point C (HPC) project changes the output, it would consider amending the output to ensure the most economic and efficient outcome is arrived at.

Ofgem has proposed a suite of Large Project Delivery (LPD) mechanisms in RIIO-T2 Draft Determinations. We understand that the proposed milestone-based approach and project delay charge will not apply to HSB because these would be set at the Project Assessment stage. However, proposals on re-profiling of allowances would apply. As stated in our RIIO-2 Draft Determinations response, we agree with re-profiling of allowances, but for delayed projects only, to remove the time value of money for delays, after the delay has happened. TOs should be given an opportunity to explain if a delay was in the best interests of consumers before Ofgem applies the re-profiling. Re-profiling should not apply to projects that are not delayed and should not remove efficiency savings TOs make when delivering a project.

Confidentiality

I confirm that this response can be published on Ofgem's website.

Yours sincerely,

[By email]

Chris Bennett

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