

Ren Walker
National Grid ESO
Faraday House
Gallows Hill
Warwick
CV34 6DA

Scottish Hydro Electric Transmission plc
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

Date: 19th January 2022
Tel. No: 07810 858696
E-mail: neil.bennett@sse.com

Dear Ren,

Consultation for CMP 330 - Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length & CMP374: Extending contestability for Transmission Connections

We welcome the opportunity to respond to Ofgem's consultation regarding the above CMP proposals and are pleased to enclose a response from SSEN Transmission (SSENT).

As the Transmission Owner for the North of Scotland we are responsible for the development operation and maintenance of the transmission network. As such, we have serious concerns with regards to any potential implementation of these CUSC modifications. In responding to the consultation, we have enclosed responses to the questions within the proforma response document attached and would highlight the following key points:

- Currently, contestability in Transmission is limited to Transmission Connection Assets (TCA) which are for the sole use of the User connecting to this equipment. There are currently some instances where these works, or part of, can be undertaken by the Developer with agreement from SSEN Transmission. Any costs inefficiency, increase or connection delay associated with the procurement and construction of these TCA works would only impact their connection. By extending contestability to infrastructure works, this does not purely affect the Developer completing them but could impact wider Users and GB Consumers by increasing overall costs and potentially delay connection of renewable generation.
- As a TO, we are regulated to keep our costs as efficient as possible whilst ensuring the integrity of the system. Under the proposals, there is no equivalent regulation or mechanism requiring developers who wish to undertake the contestable works and no direct incentive for them to keep their costs to a minimum as these would be socialised across other network Users via TNUoS charges and ultimately picked up by GB consumers through their electricity bills. There is no regulatory proposal to allow a TO the powers or contractual control mechanisms to require the developer's procurement strategies ensure fair and transparent outcomes, and without this transparency, it would be difficult to determine when costs would increase through inefficiency. Where the proposed contestable works include sole use infrastructure, this is ultimately paid for

by the GB consumer via the regulatory funding mechanisms under the RIIO-T2 price control settlement and wholesale electricity charges, and there is therefore the potential risk of increases in costs (due to loss of efficiency through large-scale TO purchase power and alignment of TO load and non-load related works, for example) if this was to be implemented. It is unclear how other regulatory outputs would be impacted by the proposals and whether derogations would be required. It would be unreasonable for TOs to be accountable through the price control mechanisms for costs that they would have no control over, or any other price control deliverable potentially impacted by any implementation of these proposals.

- The integrity of the system is paramount to the ESO, TOs and other Users of the network. Whilst the TO may be able to determine the functional specification of what is to be procured under these proposals, it would not have the ability to ensure that the Developer does not sacrifice quality and relevant experience or the appropriate financial standing of its supply chain or contractors in order to achieve lower costs bids. The network could be at risk from installation of sub-standard assets by inexperienced contractors leading to failures on the network and adversely affecting operation of the system. As we have seen in the Retail Market, the cost of failures by smaller market participants are ultimately picked up by the GB consumer. TOs, due to their nature, are more resilient to the cost of any supply chain or contractor failure and are incentivised to develop the network in the right way, ensuring appropriate mechanisms are included in their procurement processes to deliver high quality infrastructure via experienced contractors.
- We also do not see any widespread interest from developers to do contestable works on our network (we currently only have one contestable scheme that is progressing to build) or how this modification from the proposer would significantly improve connections from either a cost or timeliness of connection basis. In terms of the costs, any sole use infrastructure provided in the offer for connection to the Developer is not funded directly by them. Currently, the Developer pays for this through their TNUoS charges, which is an indirect mechanism that would only, at best, be marginally reduced (assuming there is in fact a cost reduction). With regards to the speed of connection, there are other factors that are outwith the control of the Developer that usually affect the timeframe of the connection. For example, shared use enabling works which, for a number of schemes in our licenced area, would take longer than the sole use works required. In addition, even where, for example, the proposed contestable element of a connection could be completed by the Developer 6 months earlier than the TO, there are wider network considerations to be considered (outages are planned holistically across the network and load and non-load works are aligned to ensure efficient delivery in particular areas) and it may not be possible, or economic and efficient, to realign to a Developer's specific desired project completion date.
- In addition to the risks for the GB consumer and unsubstantiated benefits that the Developer may perceive are achievable, this proposal does not attempt to consider the impact or alignment with the RIIO-T2 regulatory price control settlement. We would expect that that in order to protect the TOs position regarding regulatory outputs, there would need to be derogations or some form of contract between the TO and Developer ensuring back-to-back obligations, with clear transparency and reporting requirements. We suggest it would be more appropriate for this to be considered fully in conjunction with wider regulatory reform and at



the same time as the price control review for T3 in order to avoid any unintended consequences and detrimental impact.

Regards

Neil Bennett
Commercial Policy Manager
SSEN-Transmission

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