

Email to:

OnshoreCompetitionsPolicy@ofgem.gov.uk

31 October 2024

Dear Aakriti Bhardwaj,

Response to Draft Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2024 consultation

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs and social benefits and reduce the carbon emissions which cause climate change. Our 360-plus members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

Scottish Renewables has followed Ofgem's progression of a regulatory framework for introducing competition and welcomes the opportunity to respond to its Draft Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2024 consultation. As evidenced by our [response](#) to Ofgem's proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 (TCSNP2) projects, Scottish Renewables is keen to work with the regulator to ensure the framework and conditions set out are appropriate to obtain additional benefit from competition. Within our response, we have specific concerns and queries around the details of the consultation as well as more overarching considerations for the regulator.

We believe there is a valuable and timely opportunity to explore the difference in the devolved categorisation of transmission across GB and the potential to leverage the lack of sub-categorisation within Scotland to benefit competition and, thus, consumers. While 132kV is legally deemed a distribution asset in England and Wales, it remains defined as transmission in Scotland due to historic decisions made from Scotland's integration into the New Electricity Trading Arrangements (NETA) in 2005. As a result, TNUoS charges associated with 132kV are especially high due to the levels of maintenance required under this classification. If Ofgem intends to eventually include 132kV transmission asset lines in Scotland as projects for tender, we believe redefining the function of such lines could offer consumer savings and attract a wider range of competition.

By redefining the function of 132kV lines for new circuits that align more closely with distribution charging methodologies, the qualifying criteria for project bidders could be rescaled to meet distribution standards. As such, a wider range of competitors would be able to meet criteria requirements, prompting more innovative and flexible circuit build designs combined with reduced costs resulting from a distribution asset rate of return. Defining the function at the outset would secure reduced costs for consumers throughout the asset's life and avoid reinforcing an arguably outdated classification with incoming network changes. In addition, a reclassification of function for such assets would create greater harmony with England and Wales as cross-border networks are increasingly reinforced. We believe a reclassification holds the potential to promote Ofgem's ambition for competition in line with its remit to protect consumers.

Regarding the tender regulations proposed, we welcome the obligation on tender parties to address barriers. While there is evidence from other countries that competition attracts new supply chain parties into the market, we suggest there needs to be a greater focus on supply chain engagement strategy for competition and Ofgem needs to address this as part of the process. Integrating a mechanism like that of the Sustainable Industry Rewards (SIRs) within the Contracts for Difference (CfD) to the tendering process could help alleviate this issue and attract the necessary suppliers. We would like to see Ofgem acknowledge this issue and take tangible steps to address this.

Navigating the appropriate interaction between incumbent TOs and CATOs in an interconnected network is challenging; however, we believe the framework as set out currently does not provide sufficient clarity or provision of conflict mitigation for successful tendering. There is insufficient information about the role and responsibility of the incumbent TOs within the process. The incumbent TO is required to support the process, but greater detail around the specific expectations of this support, and cost recovery of resources involved, is needed to ensure TOs are fully incentivised to support competition. Regarding the assessment of the conflict suggested by NESO and Ofgem in the pre-tender stage, we would also like to see substantive detail on what this process constitutes and transparency on the protocols that the parties are obligated to follow to manage the conflicts.

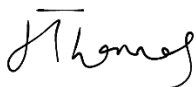
Remaining areas where we would like to see greater detail are:

- Estimate the level of bid costs and securities, with details on who these costs are going to.
- Interaction with Connections Reform and the management of connections during the tender process.
- Interaction with the sequencing of planning and/or flexibility of design for optimal consenting.

To maximise the benefits that Ofgem foresees in introducing competition, we would urge you to consider our suggestion of an asset reclassification that offers immediate but also wider benefits to the future system. In addition, we look forward to seeing further details about the proposals and the practicalities supporting them.

Scottish Renewables would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,



Holly Thomas

**Grid & Systems Policy Manager
Scottish Renewables**