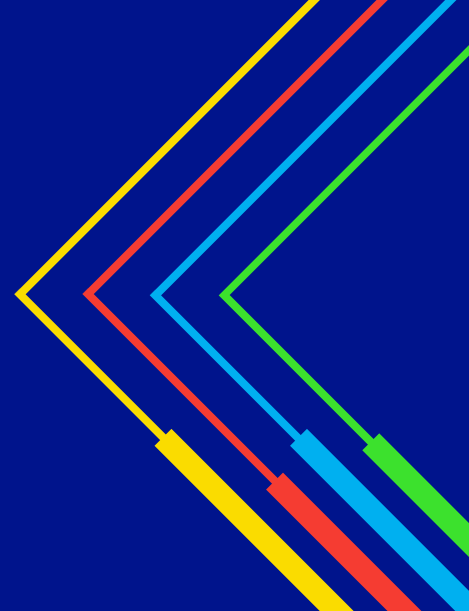


RIIO-ET3 Sector Specific Methodology Consultation

Response summary



Great Britain's energy system is in transition, shifting away from fossil fuels to clean energy in support of net zero, greater energy security and resilience to increasing and varied challenges.

We are not alone in this pursuit. Governments in many countries have set ambitious net zero targets, leading to significant competition for supply chain capacity.

A successful transition will only happen with the most radical transformation of the grid seen since the 1950s. We must build the grid of the future. This requires expanding our network at an unprecedented rate alongside upgrading and re-wiring our existing network to create the capacity-rich super-grid we need. We will need to do this at the same time as maintaining today's standards of safety, reliability and resilience for consumers.

The scale of what we collectively need to deliver is hugely ambitious and of critical importance. It will ensure that consumers are protected by unlocking the benefits and value of the energy transition, in terms of lower bills, more secure supplies and decarbonisation, by connecting more renewables and reducing constraint costs.

To enable this radical transformation and our management of the challenging macro-environment, the approaches taken by the network companies and the regulatory framework need to change.

The introduction of the Accelerated Strategic Transmission Investment framework is a positive example of Ofgem developing the regulatory framework to accelerate delivery of net zero enabling infrastructure. The principles underpinning ASTI need now to be reflected across the entire RIIO framework. The alternative, to roll forward an ET2 approach to the design of the framework, would risk the energy transition and limit our ability to unlock the benefits for consumers.

We note that the regulatory framework applicable to electricity distribution will be subject to separate consultation, and the positions set out here and any decisions by Ofgem taken for RIIO-ET3 should not be seen as setting binding precedent for RIIO-ED3, given important sector differences.

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The challenges

- 1 Unprecedented scale and pace of investment required, as we embark on the most radical transformation of the grid seen since the 1950s against ever tightening deadlines. We will need to build over five times more onshore transmission than we have built in the last 30 years while also upgrading or replacing about a third of our circuit asset base and either extending, upgrading or rebuilding ~60 substations. We will also need to install around four times more new marine cables than our current offshore network by 2030.
- 2 We will need to build a future grid that is intelligent and adaptive, resilient to climate change and able to be operated differently.
- 3 We have developed a network planning methodology within the regional context, to develop 'Site Strategies' and 'Circuit Strategies', rather than plan work against individual drivers. The Strategic Spatial Energy Plan (SSEP) and Centralised Strategic Network Plan (CSNP) are to be shared after we submit our business plan. We need to plan investments holistically, to minimise costs, maintain system security and expand the network as quickly as we possibly can. Thinking holistically supports our approach to building our network investment plan against the principle of 'do it once, do it right'.
- 4 We will need to do so at the same time as managing ongoing uncertainty and change across the industry including the reform of the connections process, the role of centralised and strategic planning and the extent of competition in building the future network.
- 5 We will need to manage a number of uncertainties and will need to evolve and adapt our plan in response to things which are currently unknown. For example, the Strategic Spatial Energy Plan (SSEP) and Centralised Strategic Network Plan (CSNP) will be published to be shared after we submit our business plan at the end of this year near, nor will the impacts of connection reform on our contracted background be clear.
- 6 A volatile and constrained supply chain, as we compete with other countries and industries for limited supply chain capacity, resources and skills. This includes the impact that scaling-up investment will have on the requirements of our workforce (and that of our supply chain) meaning a need to grow the workforce both in number and capability.
- 7 To deliver our investment programme, we will have to change how we work and transform ourselves as an organisation.
- 8 The need for an unprecedented level of capital to fund the investments required, as Ofgem acknowledged "at a time where there is greater competition for investment and capital in the UK water and global regulated infrastructure sectors".

What is needed from the RIIO-ET3 framework

Ofgem has already recognised the need for us to operate at a portfolio scale through the design of the Accelerated Strategic Transmission Investment (ASTI) framework. It is critical that the framework supports longer-term supply chain planning across all of our assets, so we can secure the necessary capacity.

The regulatory framework for RIIO-ET3 should allow for such a portfolio scale approach to be taken across other activities where required. This will help support us to secure the supply chain capacity we need in the timeframes required.

- Early approval of investment need for major strategic or complex projects.
- Cost assessment methodology that is fit for purpose and reflects the realities of the supply chain environment and the period of growth we are entering.
- An incentive package focused on the outcomes that matter for consumers and allows us to unlock additional value, including:
 - incentivising complete and deliverable plans that reflect the ambitious nature of what needs to be delivered during T3;
 - introducing new and previous incentives that reflect reforms to the connection process, and incentivise us to think holistically about the whole energy system when taking decisions; and
 - recognising the importance of timely delivery, as well as efficient delivery.

An investable financial package that ensures we can attract the level of capital required to deliver the energy transition and unlock the consumer and societal benefits associated.

Click [here](#) to view the Sector Specific Methodology Consultation for the Electricity Transmission sector on the Ofgem site.