

Public

Bill Esterson MP
Chair, Energy Security & Net Zero Committee
House of Commons
London
SW1A 0AA

National Energy System Operator
Faraday House
Gallows Hill
Warwick
CV34 6DA

www.neso.energy

28th January 2024

Dear Bill,

Thank you very much for your follow up letter on 18th December following NESO's appearance at the ENSZ Select Committee on 11th December.

We are grateful for the opportunity to provide further information and will address each of your questions in turn.

Delivery timescales for critical network infrastructure

With regard to your question about the acceleration of network projects towards 2030 delivery dates, specifically AENC and ATNC (Norwich to Tilbury) and SCD1 (Sealink), there is no question that acceleration of these projects will be a significant challenge. In Annex 2 of the Clean Power 2030 advice NESO provided to Government, we identify "drastically accelerating and fast-tracking Development Consent Order periods" as one of the actions required and, further, that "urgent measures must be taken to bring these projects forward, possible through an ASTI-type framework". Underpinning our network analysis has been close engagement with organisations developing the network to understand the status of their projects and the likelihood of delivery in line with the 2030 objective.

Relatedly, and with specific reference to your question on the potential impact of legal challenge, we would note that the Government have addressed these points in their Clean Power 2030 Action Plan, published in December. Our understanding from the Government's plan is that the Planning and Infrastructure Bill will contain measures to ensure the delivery of projects critical for

Public

2030 and the Government also sets out work it will carry out to “[explore] changes to the legal challenge process for major infrastructure projects”.¹

As set out on page eight of Annex 2 of NESO’s Clean Power 2030 advice, if AENC & ATNC and SCDI are not delivered then there would be more unabated gas on the system, with the need to replace around 4TWh of renewable generation. We would also see higher constraint costs in 2030. In Table 1 we set out how much less clean power we would see annually in percentage terms in the event that either project were not delivered on time under both the Further Flex and Renewables and New Dispatch pathways. The impact we set out in that table suggests that if these projects were not delivered in time, the power system would not operate at the clean power definition set by government of 95% clean power generation.

Project attrition

With regard to your question about deployment targets and project attrition, as we set out to you in our letter of 18th December, we believe that our proposals for connection reform would lead to more projects being able to connect by 2030 than is case with the existing queue. We also explained that there is a risk that adding more project capacity beyond the Clean Power 2030 Action Plan capacities would trigger additional network reinforcement, resulting in later connection dates for that additional project capacity.

As also set out in the Government’s Clean Power 2030 Action Plan, additional flexibilities will, subject to Ofgem approval, be included in the reformed connection process (for which NESO has responsibility) to manage project attrition and over- or under-supply. These additional flexibilities would ensure that ‘oversupply’ against the Government’s Clean Power 2030 Action Plan can be used to address areas of ‘undersupply’. They would also allow replacement projects later in the queue to be brought forward in the queue and connected earlier.

Connections reform and solar deployment ranges

Following receipt of your letter and before sending you this reply, you will have seen that NESO has announced the next steps we are taking on connections reform. We are implementing new arrangements which will ‘pause’ applications received as of 29th January, enabling us to dedicate resources to delivery of connections reform across 2025. There will be exceptions to this arrangement for demand projects directly connecting to the transmission network which will be allowed to continue through the connections process. We would of course be happy to provide you with further information should you require it.

As set out during our evidence session, it is important to note that we have included protections for projects that have secured planning consent, so that they will be included in the new queue,

¹ <https://assets.publishing.service.gov.uk/media/677bc80399c93b7286a396d6/clean-power-2030-action-plan-main-report.pdf>. Page 12.

Public

irrespective of whether they exceed a zonal permitted capacity set out within the Government's Clean Power 2030 Action Plan.²

These proposals will allow us to 'substitute' from zones of oversupply against the permitted capacities set out in the Government's Clean Power 2030 Action Plan to address areas of undersupply. For example, if 'zone 1' were oversupplied by 500MW worth of 'ready' solar projects, but adjacent 'zone 2' was undersupplied by 500MW then, notwithstanding any negative impact on network constraints, we would allow the additional 500MW of solar from 'zone 1' into the new queue. In that way we would ensure that there is sufficient solar in the new queue overall and that 'ready' projects are included in the new queue.

As we move forward, we will use the first Strategic Spatial Energy Plan (SSEP), scheduled to be published at the end of 2026, to change the permitted capacities of projects of different technologies within zones and/or at GB level. This will allow us to respond to market developments: for example, if some technologies are deploying at a lower rate, we would be able to create additional permitted capacities for other technologies which can deploy more quickly to be included in the new queue.

With regard to your question on setting separate technology caps for different renewable technologies within the same areas, clean power and the broader future decarbonised energy system will rely on a diversity of generation technologies to bring together secure, affordable, reliable energy. Each renewable technology has different characteristics regarding when it outputs and provides a different total output for the size of the installation.

A diversity of technologies helps to mitigate risk by engaging in different markets and technologies, should there be a particular issue with a deployment of a specific technology.

The reason for proposing separate regional targets for technologies is to promote the deployment of a diverse mix of generation technologies, rather than a rush solely for the quickest or easiest to deploy, which would not necessarily deliver clean power. The regional capacities were developed based on the state of the 'pipeline' of technologies wishing to connect out to 2030.

Grid connections for community energy projects

Whether community energy projects receive any special designation or priority status would be a matter for government and as we set out during the evidence session on 11th December, if the Government were to signal that community energy projects should be prioritised, that is a signal we would follow.

We have set out our position on connections and community energy in our submission to your inquiry which closed on 13th January. In terms of barriers to giving community energy projects priority status, one would be the lack of a widely agreed upon definition about what constitutes

² Please see our letter to the Select Committee on 18th December.

Public

community energy. This would make it difficult to identify precisely which projects would be prioritised.

It is worth pointing out many community energy projects are not large enough in scale to either require a direct connection to the transmission network or impact on the transmission network at a distribution level. For community energy projects connected at the distribution level that do currently have an impact on the transmission system, we are working with National Grid Electricity Transmission to put forward a modification to industry codes that would increase the current 1MW threshold for transmission impact assessment in England and Wales, potentially to 5MW. If approved, this would further reduce the scope and number of community energy projects that impact on the transmission system and therefore do not need to wait on transmission reinforcement works.

Our submission to your inquiry on community energy contains more information about our views on this subject.

NESO's role in relation to policy issues

Our role, as set out in legislation, is to provide advice, analysis or information upon request by a Minister of the Crown or Ofgem. As we see it, our role is therefore to provide objective information based on data and evidence as we respond to a specific request for advice.

NESO will set out a response based on the data and evidence available to us, informed in the same way as all our decision making. If we are asked to provide advice or to provide a position on a particular policy by government, we will do so in line with our role as set out in legislation. We will not, however, provide views on policy issues which are not in our purview or on which we have not already conducted research.

In our Clean Power 2030 advice, we set out six 'critical enablers' which will be essential to achieving the Government's 2030 ambition. We advised that action is required across a range of policy areas without specifying the precise form that action should take. We have therefore set out a broad policy position without being prescriptive. These are policy decisions for government involving complex and impactful trade-offs, and the exact details should be decided and formulated by government.

Beyond specific requests for advice, we do, as NESO, expect to develop and share views on key issues facing the energy transition, and will draw upon our expertise, experience and specific work to do so. We see such thought leadership as an important part of our role.

EirGrid community engagement

Finally, you asked for some examples of positive community engagement at EirGrid. It is worth first explaining some of the differences between the roles and responsibilities that EirGrid and NESO have.

Public

Whilst NESO is responsible for strategic planning of the future energy system, we do not take transmission projects through the planning and consenting processes as EirGrid does. This colours the way in which our respective organisations carry out consultation with communities. For example, it is the Transmission Operators in Great Britain who will carry out project-specific engagement, similar to EirGrid, whereas it is NESO's role to engage on GB-wide strategic plans such as the Strategic Spatial Energy Plan (SSEP). In Ireland, EirGrid will conduct engagement in both circumstances.

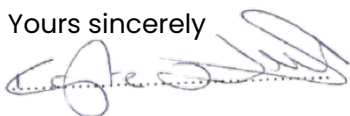
Turning to the engagement that EirGrid does, an applicable example of nationwide engagement is their 'Shaping Our Electricity Future' consultation. EirGrid sought to speak to a wide range of civil society groups including youth organisations, citizen assemblies and NGOs. They held industry forums and town hall events in communities, and invited them to discuss the different approaches to grid development. This was aimed at creating a national conversation around what would be required in order to achieve the Irish Government's 2030 renewables target.

Key findings from this consultation were the need for greater public awareness and education as to the need for grid reinforcement and the need to engage communities at the earliest stage of project development. EirGrid have implemented a number of new engagement initiatives based on public feedback including the establishment of a community forum on each strategic project which is comprised of voluntary, community, business and elected public representatives.

This is a level of consultation that NESO is seeking to emulate, whilst recognising that our role and therefore our engagement will differ in scale and scope. For example, our consultation on the methodologies for the creation of the SSEP, Centralised Strategic Network Plan and Centralised Strategic Network Plan (tCSNP2) Refresh were open until the 20th January. It contained proposals which move towards engagement on a deeper, whole society level, such as accepting third party or community proposals for the siting of new energy infrastructure. We understand that the Department for Energy Security and Net Zero has plans to raise public understanding of and engagement with the scale of new infrastructure that will be required, an initiative we support.

We hope that this letter satisfactorily answers your questions but, as ever, please do not hesitate to get in touch if NESO can be of any further assistance. We look forward to continuing to engage with your Committee in future.

Yours sincerely



Kayte O'Neill

Chief Operating Officer

National Energy System Operator