

PE2095/C: Improve the public consultation processes for energy infrastructure projects

Ofgem written submission, 29 October 2024

Thank you for the opportunity to provide evidence in relation to petition PE2095. Ofgem have been asked to provide comment on the below points of the petition:

- *review and seek to update section 3.2 of the Energy Consents Unit: Good Practice Guidance for Applications under Section 36 and 37 of the Electricity Act 1989 to address the concerns of communities about the lack of meaningful, responsible, and robust voluntary and pre-application consultation by transmission operators on energy infrastructure projects.*
- *explore all available levers to strengthen community liaison and public participation for the lifecycle of energy infrastructure projects.*

Ofgem's objectives and remit

Ofgem's principal statutory objective under s.3A of [the Electricity Act 1989](#) is to protect the interests of existing and future consumers in Great Britain. We also have a growth duty and a duty to deliver net zero. There are several factors that we need to consider when making decisions. For example – impact on consumer bills, the reduction of greenhouse gases, security of supply and promoting effective competition. We seek to take all these factors into account and find the right balance for all consumers.

[Ofgem regulates transmission owners through our price control regime](#). We determine how much network companies can charge for operating their respective networks, taking into account the need to invest in the infrastructure and to innovate. Ofgem expects transmission owners to make a robust case for proposed projects and provide us with all relevant information to inform our assessments.

Ofgem do not have powers to decide whether the projects proposed are granted the required planning permission and consents. We do not design energy infrastructure projects and we have no say in where they are located.

The newly launched National Energy Systems Operator (NESO) will be responsible for producing strategic plans, which will indicate where infrastructure is needed and what the desirable options for its location and design would be. As NESO's regulator, Ofgem has a key role to play in ensuring these plans and the options proposed are delivering in favour of the consumer.

What we assess

When transmission owners build new or update existing infrastructure, we assess how much money they plan to spend on the project. Ultimately, that cost is reflected in consumer bills. For large transmission projects, the transmission owner needs to explain to us why the project is required, show us that it carried out thorough assessment of the viable options, and justify the preferred option that it proposes.

Following a project assessment, we publish a consultation that sets out our minded-to position on the efficient funding allowance for the project. These consultations explain our reasoning behind approving or rejecting the funding that the transmission owner has requested for the project and explains any adjustments we are planning to make. Following a four-week consultation, we review the feedback received, make any amendments we consider necessary and publish our final funding decision, which confirms how much transmission owners will be allowed to recover from consumer bills for the cost of delivering the project.

Under [the Accelerated Strategic Transmission Investment \(ASTI\) process](#), our consultation focuses on our view of the efficient funding allowance – the needs case and high level optioneering have already been determined by the [National Energy System Operator \(NESO\)](#) as part of the [Networks Options Assessment 7 \(NOA7\)](#) refresh. Subsequent development of the options, scope, design, planning and delivery are the responsibility of the relevant Transmission Owner, the National Energy Systems Operator and other relevant authorities prior to Ofgem’s final decision on the efficient costs.

To read more about how we set the funding allowance for transmission projects:

- For conventional major projects, [see our Large Onshore Transmission Infrastructure \(LOTI\) process](#).
- For major projects deemed by the UK Government to be essential to achieving the Government’s target of connecting 50GW of offshore wind by 2030, [see the Accelerated Strategic Transmission Investment \(ASTI\) process](#).

Additional levers

As part of the business plan that regulated companies need to submit to Ofgem under our price controls regulation, we ask to see a summary of regulated entities’ stakeholder engagement and use independent stakeholder groups to test the quality of this engagement. This does not focus on a particular project, territory, or type of stakeholder. [You can find out more in the RII0-3 Business Plan Guidance](#).

We see effective community engagement by TOs with local communities impacted by projects as critical to successful delivery of projects. We continue discussing this with local authorities, transmission owners and Central Government. For example, we are working with the Department for Energy Security and Net Zero and transmission operators to implement the recommendations of the [Transmission Acceleration Action Plan](#), which includes ensuring that the communities that host transmission infrastructure benefit from it.

To conclude, while planning powers and by extension planning consultation lies outwith Ofgem’s remit, we expect transmission owners to engage effectively and transparently with local communities as part of their project development because this is a vital component of their planning applications. Our emphasis as part of our reviews of their work is on the interests of energy consumers as a whole, ensuring

that the desired output is delivered for the most reasonable and efficient price achievable. Stakeholders interested in infrastructure projects are also welcome to submit responses to relevant Ofgem consultations on efficient funding as mentioned above.

Ofgem will continue to watch the progress of this petition and should the Committee require any further information from Ofgem please do not hesitate to ask.