

# Anticipatory Investments - UK James Pleass

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# Accelerated Strategic Transmission Investment (ASTI)

## What is it?

- Ofgem's new accelerated strategic transmission investment (ASTI) framework illustrates the scale of the challenge faced by electricity transmission network owners in Great Britain
- National Grid Electricity Transmission, Scottish Power Energy Networks and SSEN Transmission, known collectively as 'TOs,' are responsible for delivering the extensive onshore transmission system enhancements that are needed to achieve the Government's 2030 power sector decarbonisation target
- The TOs also have a key role to play in fulfilling the government's ambition to connect up to 50GW of offshore wind capacity to the GB grid by the same date

# Accelerated Strategic Transmission Investment (ASTI)

## What is it? cont...

- The ASTI decision identifies 26 strategic transmission projects with an estimated cost of £20 billion which will be taken forward under a streamlined regulatory approval and funding process
- This process represents a significant departure from the multiple regulatory assessment stage gates in the existing regulatory approval and funding process, known as the Large Onshore Transmission Investment (LOTI) regulatory framework
- The removal of the 26 projects from is a clear recognition that the necessary investment would not be made at the pace required to achieve the government’s power decarbonisation and offshore wind connection ambitions
- The new framework also represents a move towards what Ofgem calls a “co-ordinated top-down network planning approach”

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## The Projects

- The 26 ASTI projects span the length and breadth of the country and include the Western Isles HVDC Link, which will establish the first connection between the island of Lewis in the Outer Hebrides and mainland Scotland. The HVDC Link will play an important role in the development of the offshore wind capacity in the waters off the northwest coast of Scotland
- Other ASTI projects also include substantial network enhancements designed to alleviate the bottlenecks which currently restrict the flow of wind generation from Scotland to the major demand centres in the south of the country, particularly during periods of high renewable generation

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### What's in it for Consumers

- The 26 projects will be taken forward outside the Competitively Appointed Transmission Owner (CATO) regime for the procurement of onshore electricity transmission, which will be introduced if the proposals in the Energy Bill currently before parliament are enacted in their present form
- This will deprive consumers of the cost savings that the competitive process would potentially deliver - particularly in the long-term cost of capital
- However, at the same time, consumers will see a benefit from the accelerated development of the lower cost renewable generation which will be facilitated by the ASTI projects by, for example, enabling the connection of up to 50GW of offshore wind sooner than would otherwise be possible

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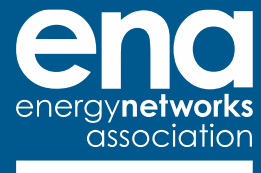
## Bringing it into Effect

- Ofgem is engaging with the TOs to progress the development of the new conditions which will have to be added to their transmission licences to bring the ASTI framework into effect. The regulator's current intention is that the statutory consultation for the required licence modifications will be launched in the spring, with a view to implementing the framework in licences in the summer. Ofgem recognises that the TOs' delivery plans make provision for expenditure on ASTI projects from Q4 in 2022, but also considers that the policies reflected in the ASTI decision will give the TOs sufficient reassurance to start work ahead of the required licence modifications
- Ofgem's analysis concludes that consumers will be better off overall under ASTI than under the "business as usual" counterfactual. Its assessment of the benefits to consumers under its central scenario are estimated at £2.1bn, with an estimated benefit of £3.1bn in the best-case scenario and £0.9bn in the worst-case scenario

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## Rewards and Penalties/Conclusion

- The ASTI decision strikes a balance between the acceleration of the regulatory approval and funding processes and ensuring that consumer interests are protected by a robust cost assessment and system of incentives, including output delivery incentives, for the accelerated delivery of transmission assets. These will reward TOs for meeting target delivery dates and penalise them for failing to meet target dates
- The aggregate reward and penalty for each project is to be capped at 10 percent of the forecast total expenditure for the project, with the reward and penalty rates based on a forecast of the consumer detriment arising from a delay and of the consumer benefit arising from acceleration



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