



SSEN Distribution Response to ED2 Draft Determination - Annex 1: Advocacy

SSEN Distribution's Final Business Plan was co-created with over 25,000 stakeholders across both our licence areas in SSE's largest ever engagement exercise. During the RIIO-ED2 Draft Determination consultation period, we have re-engaged with a number of these key stakeholders to ensure that our response is underpinned by their reflections on the draft determinations. Table 1 below sets out the stakeholders with whom we have engaged during the eight-week period, and the topics discussed.

Table 1: List of stakeholders

Organisation	Net zero investment	Consumer vulnerability	Deliverability	Environment and sustainability	North of Scotland	Resilience	Whole systems response
Aberdeenshire Council	X	X		X	X	X	X
Association for Decentralised Energy	X						X
Barra & Vatersay Community Ltd				X			
BEIS	X	X		X	X	X	X
bp pulse	X				X		X
Briggs Marine	X		X		X		
CALA Homes				X			
Citizens Advice	X	X		X	X	X	X
Citizens Advice Hampshire		X					
Climate Academy				X			
Consumer Scotland		X				X	
Comhairle nan Eilean Siar	X	X	X	X	X	X	X
Community Energy England	X						X
Community Energy Scotland	X	X		X	X	X	X
CPRE Oxfordshire member				X			
Connect IT Utility Services	X						
Consumer Scotland	X	X					
Dundee City Council	X	X	X		X	X	X
Dummer Parish Council				X			
Eneida.io				X			



Energy Innovation Centre	X							X
Energy Networks Association	X	X	X		X	X		X
Enerveo	X		X					
Freedom Group	X		X					
GAP Group				X				
Grainger Homes	X							
Grid Edge Policy				X				
Greater London Authority	X	X						X
Health & Social Care Alliance Scotland		X						
Highlands and Islands Enterprise	X				X			
Hitachi Energy	X		X					
Home Builders Federation	X							X
Isle of Wight Council	X							X
IQA Group				X				
J MacMillan and Son Savills				X				
Kyte Powertech	X		X					
LS Transmission Consultancy Group				X				
Lucy Electric	X		X					
Maritime and Coastguard Agency				X				
Moray Council	X					X		X
Morrisons Energy Services	X		X					
MP/MSP (various)	X	X	X	X	X	X		X
National Energy Action	X	X						X
National Skills Academy	X							



National Infrastructure Commission	X	X	X			X	X
Natural England				X			
NatureScot				X			
Nexans	X		X		X	X	
Orkney Islands Council	X	X			X	X	X
Oxford City Council	X	X					X
Oxfordshire County Council	X	X					X
Perth and Kinross Council	X	X			X	X	X
Portsmouth Water				X			
Project Seagrass				X			
Reading Borough Council	X						
Renewable Energy Association	X						
Scottish Government	X		X	X	X	X	X
Scottish Renewables	X	X	X	X	X		
Seawilding				X			
SEPA				X			
Shetland Islands Council	X		X	X	X	X	X
Sustainability First	X			X			X
techUK	X	X					X
Thermal Storage UK	X						X
UK100	X	X	X				X
West Sussex Council	X	X	X				X
Wiltshire Council	X	X	X				X

Since the publication of the draft determinations, we have engaged with over 250 key stakeholders from Shetland to the Isle of Wight, covering issues from strategic investment, enhancing protections for vulnerable consumers, and the need for credible science-based targets, to the importance of subsea cables to our Island communities, and why investing to boost network resilience is more important than ever in the face of extreme weather.

Giving the concurrent energy and cost of living crises, since the extensive engagement carried out for our Draft and Final Business Plans, there has been an increasingly sharp focus on cost of living, and our stakeholders have been keen to understand more about how we have sought to balance protecting consumers with accelerating progress towards net zero. There are concerns that Ofgem has not achieved the optimum balance in its Draft Determinations with cuts risking the delivery of a secure electricity supply, particularly on the Scottish Islands, and hindering net zero ambitions.

A significant number of stakeholders expressed concern that despite the ‘golden thread’ linking their input to business plan proposals being evident in SSE’s plan, the Draft Determinations appeared to be more arbitrary in nature with stakeholder views being disregarded, more often than not, in Ofgem’s decision-making process. This was particularly evident from local authorities, in terms of input to regional decarbonisation plans and island stakeholders, who believed Ofgem had switched position from previously supportive dialogue on the need for more proactive cable replacement.

The following key themes come out of this engagement:

1. DON’T LOW-BALL NET ZERO: WE CAN’T PLAY CATCH UP ON DECARBONISATION

Our stakeholders are clear that now is not the time to renege on net zero commitments, with many urging that the cost-of-living crisis should spur on decarbonisation efforts. There was a strong belief that industry, business, and local authorities are keen to work collaboratively to meet legally enshrined net zero targets and there is concern that Ofgem has aimed low on net zero through its Draft Determinations.

Local authorities in our licence areas played a key role in co-creating our Business Plan and they have wide-ranging plans in place for the local delivery of net zero to transform buildings, transport, waste, power and land use. These stakeholders were alarmed by Ofgem’s “short-sighted” approach to cutting Load Related Expenditure proposals at a time when they are under pressure to deliver stretching EV charge point and heat pump installation targets along with the decarbonisation of their workforce fleets and council-owned buildings.

Local authorities told us they needed to see faster investment in infrastructure especially given the Government commitment to increase electric vehicle charging points. Orkney Council stated a slowdown in network investment would ‘hinder net zero progress’ and Oxfordshire Council raised concerns of an ‘equitability challenge’ in the roll out of low carbon technologies. Several local authority stakeholders also expressed frustration that their significant input into the plan has been effectively ignored

We have received significant support from local authorities in the North of Scotland and Central Southern England for our Whole System Support CVP to provide additional local support and technical expertise as they develop ambitious decarbonisation plans. Several our local authorities have stretching 2030 targets and have welcomed the opportunity to benefit from SSE’s expertise to help design and implement projects, providing information on the most efficient and cost-effective locations.

2. CREDIBLE PATHWAYS TO 1.5°C MUST NOT BE BLOCKED

Our stakeholders have commended our approach to nature and to the delivery of Net Zero. Stakeholders believe that nature-based solutions will deliver multiple benefits and facilitate Net Zero and carbon sequestration. Sustainability First have told us whilst they support Ofgem’s proposed decision to disallow spend on conventional offsetting they believe our nature-based solutions are different to other DNOs and deserve separate consideration from Ofgem. Our full business plan is based on delivering a credible and ethical net zero, and why our plan is based on a 1.5-degree Science-based Target (SBT). The route to net zero is not delivered by carbon emission reduction alone: we must abate all that we can through our SBTs and then look at removals to manage residual emissions and close the gap to net zero. Based upon extensive engagement with our stakeholders, alongside scientific evidence, we selected a nature-based approach for residual carbon removal. Stakeholders have also pointed out the amount of input that our Customer Engagement Group gave to this area of our Business Plan, providing further evidence of the robustness of our proposals.

Several stakeholders were pleased to see Ofgem’s acceptance of our Life Below Water CVP proposal to protect marine biodiversity through the restoration of Seagrass, acknowledging the positive benefits this will bring to



the wider environment. Stakeholders also recognised the support this CVP had received from both our Customer Engagement Group and the Challenge Group.

In other areas of our sustainability and environmental proposals, stakeholders were disappointed not to see Ofgem identify best practice across the Environmental Action Plans (EAPs). Stakeholders are particularly concerned and disappointed with the lack of comparability across the EAPs and the subsequent disparity across strategies, which has led them to question how Ofgem has been able to propose approval for DNO strategies in this area. They have questioned Ofgem's approach, and do not believe Ofgem has adequately recognised the difference in proposals put forward by different DNOs.

Stakeholders have particularly welcomed our SF6 strategy identifying it as one of the most comprehensive and ambitious, and as such are deeply concerned with Ofgem's decision to remove the much-needed investment for SF6.

3. NOW IS NOT THE TIME TO MAKE CUTS TO RESILIENCE FUNDING

Network resilience is of upmost importance to our stakeholders. Last winter our licence areas endured seven named storms and this summer has seen temperatures of over 40°C in central southern England, and we have also engaged widely following an increased focus on network constraints issues in West London. Stakeholders are overwhelmingly in favour of strategic investment in our network to enable consumers to benefit from the net zero transition and to ensure that electricity networks do not become a barrier to net zero.

Various stakeholders do not believe that Ofgem has adequately recognised the unique nature of the north of Scotland in its Draft Determinations. These stakeholders are clear that the characteristics and requirements of the North of Scotland, and in particular our Scottish Islands, require a bespoke and tailored approach, and are therefore disappointed that Ofgem has reduced subsea cable baseline allowances overall for the Scottish islands and has not committed to replacing the existing Skye-Uist cable.

Scottish islands stakeholders expressed serious frustration at Ofgem's cuts to subsea cable allowances and the gap in previous rhetoric and recent delivery when it comes to a longer-term strategic approach for subsea cable asset management.

Stakeholders on the Western Isles remain exasperated by Ofgem's decision to reject SSEIN's funding request for the Skye-Uist cable and the 'fix-on-fail' Uncertainty Mechanism. They were at pains to highlight the damaging effects subsea cable failures can have on homes, businesses, renewable generators and the environment, noting that standby diesel generation led to over 90,000 of CO₂ being emitted following the Skye-Harris fault and the inability to export resulted in c.£2m in lost community funding revenue.

4. MORE THAN EVER, VULNERABLE CUSTOMERS NEED TO BE ABLE TO ACCESS SUPPORT

Our consumer vulnerability proposals have been a focus for many of our stakeholders given the current concerns around the ongoing cost-of-living crisis. Our stakeholders have welcomed Ofgem's acceptance of our Personal Resilience Plans CVP, recognising the enhanced benefits that battery packs will bring to our most vulnerable customers. However, stakeholders are unclear on Ofgem's reasoning behind prioritising some customers on the PSR for personal resilience plans over others, particularly in relation to new PSR customers, raising concerns over fairness. When drawing comparisons across DNOs, stakeholders from Consumer Groups have been pleased to see our ambitious plans to extend our PSR reach to 1 million customers alongside our commitment to use shareholder funds for our 'Powering Communities to Net Zero' fund.

Stakeholders from fuel poverty organisations have welcomed the changes we have implemented in our Business Plan to provide an enhanced offering in our Vulnerability Strategy to mitigate the changes in circumstances for many of our customers in vulnerable situations. These stakeholders have also highlighted concerns in the removal of funding for energy efficiency measures and training that would help deliver permanent reductions to consumers' consumption and energy bills.



5. OUR SUPPLY CHAIN PARTNERS HAVE EMPHASISED THE IMPORTANCE OF CERTAINTY AND PLANNING

A number of stakeholders have questioned the logic behind Ofgem's decision to shift allowances from baseline expenditure to Uncertainty Mechanisms. Our suppliers have told us that one of the most challenging aspects their businesses face is attracting and retaining staff in the current jobs market. One key supplier told us that certainty of volumes not only enables businesses like them to attract resource, but it also gives them the best possible chance of retaining high performing teams which in turn, delivers significant efficiency benefits for all involved.

Ofgem's overuse of Uncertainty Mechanisms has further concerned supply chain partners who are experiencing increased volatility in material and resource availability, excessive lead times, and inflating costs. Ofgem's decision to remove much-needed certainty could exacerbate these issues.

However, we disagree with a single unit rate for circuits on the basis of there being significant cost difference between underground and overhead line unit costs. This means that, from a portfolio perspective, an area requiring significant OHL works could do better than one requiring significant cabling works (incentivising the prioritisation of OHL schemes where that may not be the right thing to do). This could mean that cabling in urban environments is more difficult to fund, acting as a blocker to LCT uptake. This type of disaggregation is clearly acknowledged as necessary in the division of pole mounted versus ground mounted transformers, where the cost differential is less. We therefore urge Ofgem to reconsider this component of the volume driver and disaggregate these circuit types into underground and overhead (on top of the existing HV/LV split) as per the categories in table 1.

