



Joint response to the Ofgem consultation on offshore grid coordination

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Contact: Dustin Benton, Senior Policy Adviser, 020 7630 4522,
dbenton@green-alliance.org.uk

In response to your request for comments on the above consultation, Green Alliance, CPRE, Greenpeace, and RSPB offer the following recommendations on how to improve planning for and investment in a strategically designed offshore grid. Our aim is to reduce the cost and environmental impact of the grid, to facilitate greater use of offshore renewables by 2020, and to enable the robust offshore infrastructure needed to decarbonise the power sector by 2030.

Please find below our overall view of the mechanisms set out in the consultation, with more detailed comments on selected questions.

Summary recommendations

- 1. Plan to achieve renewables and climate targets.** DECC and Ofgem's Offshore Transmission Coordination Project (OTCP) identifies cost savings as the main benefit of greater coordination, but notes that these are dependent on higher levels of generation, and that risks increase as greater coordination occurs if these generation levels are not met. However, the scenarios which show low cost benefits from coordination because of low offshore wind deployment, or which have high risk if the grid is developed for offshore wind which is not built, are scenarios in which we are very likely to fail to meet our climate and renewables targets. Rather than designing our grid regime to cater for a failure to meet our targets, the system should actively enable the higher levels of offshore wind which are needed to meet these targets.
- 2. Ensure timely grid development.** The OTCP outlines a number of areas which it did not factor into the costed benefits of coordination. These include "minimis[ing] environmental impacts (and necessary planning applications)..., reduc[ing] congestion on the onshore network, and ... additional routes for export of power in the event of a transmission asset failure." It also did not include the benefit of meeting climate and renewables targets which could be accelerated by prompt, effective, low environmental impact grid development. Because of the build times for wind farms and grid infrastructure associated with meeting our 2020 targets, there is very little scope for delay from either delayed anticipatory grid investment or from planning delays caused by unnecessary onshore infrastructure. Ofgem's treatment of both coordination and anticipatory investment should take account of the delays seen in large onshore grid upgrades like Beaulieu-Denny, Bramford-Twinstead, and mid-Wales by minimising onshore infrastructure to increase public acceptance to avoid planning delays, and enable early investment in coordinated infrastructure.

3. **Focus on system costs, not simply the cost of the grid.** Grid connections typically account for only up to 15%ⁱ of the total cost of new low-carbon generation like offshore wind farms. By focusing on the grid in isolation rather than the total system cost, there is a risk that we may increase the total cost of offshore renewables by increasing the time taken to develop offshore wind, increasing the interest costs on the 85% of loans required. Planning delays caused by unnecessary or poorly designed onshore infrastructure may impose similar costs. DECC and Ofgem's work on coordination goes some way towards analysing system cost, but excludes the value of incorporating international interconnection in a coordinated offshore grid, the effect of grid and consenting delays on the cost of wind farms, and the impact that greater certainty in the availability of grid connections might have on unlocking private sector investment in ports and the wider supply chain.

Responses to selected questions

Q 2: Do you agree with the proposed objectives for a reformed network planning document? Would other changes be useful?

We agree that a reformed network planning document incorporating offshore development would be valuable. In particular, it should be weighted towards scenarios which achieve our renewables and climate targets, and should seek to identify development which minimises environmental harm, including to sensitive habitats and landscapes. In order to do this, the document needs to have a twenty-year time horizon which incorporates offshore renewables and grid developments outside the UK to ensure optimal, least cost interconnection and renewables development.

Q 3: Do you agree with our initial proposal for a definition of AI and that the types of AI set out are those that need to be captured in an approach to AI?

Yes. Wider network benefits should include the value of reduced impact from onshore connections, where appropriate.

Q 4: Do you agree with our initial proposed objectives and regulatory design principles for an approach to AI? Are there some which you see as more important than others?

The initial proposed objectives should be amended to ensure that a focus on enabling competition is not pursued at the expense of the benefits that competition is intended to deliver – lower cost to the consumer and innovation, for example. We agree that there is value in early investments which enable greater renewable generation at lower risk to wildlife, habitats and landscapes, but that the benefits to consumers from anticipatory investment risk being undervalued, as outlined in our summary recommendations above.

Q 5: What are your views on use of the connection application process as the platform for identifying AI opportunities? Could there be a need for AI to be identified outside of the formal connection offer process?

Q 8: Are there other parties that should be able to identify opportunities for AI?

Generators, the NETSO, and TOs or OFTOs may not be able to identify all wider benefits arising from international interconnectors or optimised grid deployment across international borders. Although a revised planning document with a sufficiently international scope may be

able to identify these opportunities at a high level, Ofgem should consider how large offshore projects in neighbouring countries might affect the need for anticipatory investment, and how European agencies, such as ENTSO-E or the Agency for the Cooperation of Energy Regulators should help to identify anticipatory investment which assists in the development of a wider North Sea grid.

Q 16: Do you agree with the proposed high-level criteria for use by Ofgem if considering whether AI would be economic and efficient?

The proposed criteria should be amended in light of our summary recommendations above. The higher benefits which arise from the greater offshore build needed to meet our climate and renewables targets mean that the risks of stranding assumed by Ofgem are less likely to occur, potentially increasing the attractiveness of a blueprint-based model. Insofar as such a blueprint is designed to minimise environmental impact, the additional benefits of lower environmental costs and greater likelihood of planning consent suggest that it remains a highly attractive model. At the very least, the NETSO is likely to need the ability to mandate asset functionality to ensure that an approach which builds on the current approach does not foreclose opportunities for greater coordination.

Similarly, Ofgem's proposed treatment of technical readiness risks being too conservative, particularly as regards 2GW HVDC links. Because the UK is leading offshore grid development, requiring projects to use only the technology available at the time of initial anticipatory investment is likely to undermine precisely the sort of technological development that could reduce costs in the long term.

i <http://www.decc.gov.uk/assets/decc/11/meeting-energy-demand/wind/2806-value-breakdown-offshore-wind-sector.pdf>