EDP Renewables (UK) Ltd
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EDP Renewables UK Ltd

EDP Renewables ("EDPR") is a leading renewable energy company headquartered in Madrid, Spain that develops, manages and operates power plants that generate electricity using renewable energy sources, mainly wind and solar. EDPR was incorporated in 2007 with the clear objective of supplying a growing number of geographies with low carbon and renewable energy, EDPR has quickly grown to become a global company and a leader in the market.

EDPR operates in the most attractive markets and is continuously expanding its business to new areas of the globe. EDPR's business plan aims to increase its production capacity considering the best investment opportunities. This strategy has allowed EDPR to be among world's largest companies in terms of production in the wind sector, with a global portfolio of 11 GW of installed capacity[1]. EDPR is currently developing onshore and offshore wind and solar projects in nine European Countries (Spain, Portugal, France, Belgium, Italy, Poland, Romania, Greece and UK), as well as the United States, Brazil, Mexico and Canada.

EDPR entered the UK market in 2010 and is focusing its offshore wind energy development activities from its Edinburgh office. EDPR UK manages all worldwide offshore operations. At present, EDPR has interest in UK offshore wind Zone 1 (Moray Firth) of the Round 3 Crown Estate Tender, part of which[2] was awarded by the UK's Department for Business, Energy & Industrial Strategy ("BEIS") with a 15-year Contract for Difference (CfD) for the delivery of 950 MW of offshore wind generation in 2017's Allocation Round. In addition, EDPR has recently announced a joint venture with Engie within the offshore wind market.

EDPR is pleased to submit a response to Ofgem's "Future Charging and Access programme – consultation on refined residual charging banding in the Targeted Charging Review" issued on the 3 September 2019 with responses due on 25 September 2019.

Questions or comments can be directed to:

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[1] As of Jun-18: Installed capacity includes EDPR's Equity consolidated: 152 MW in Spain, 179 MW in US; inc. 145 MW of Solar PV

[2] Through Moray Offshore Windfarm (East) Limited ("MOWEL")

We are pleased that Ofgem has conducted further analysis into the impact of the proposed TCR changes on the renewable sector. However we wish to raise concerns over a number of the assumptions used within this analysis and conclude that Ofgem is still not fully appreciating the impact the changes could have on the renewable generation industry.

Offshore wind capacity assumption

The key assumption we which to raise concerns over is:

"assumption that the government would maintain the level of output from renewables assumed in the relevant FES18 scenarios by supporting the next cheapest alternative technology i.e. offshore wind. This means that the reduction of onshore wind and solar are replaced with the equivalent amount (in energy terms) of offshore wind."[3]

Whilst this seems a sensible general assumption it does not align with current Government policy on offshore wind capacity. The Government has already committed to delivery of 30GW of offshore wind by 2030 as part of the Offshore Wind Sector Deal. However the recent CfD Allocation Round 3 restricted capacity in renewable technologies to 6 GW, with the auction results showing 5.4 GW of offshore wind capacity secured at record low prices. The additional capacity required to be built by offshore wind to maintain the level of output from renewables would require a big step up in offshore wind build for the industry.

The Government has indicated that the CfD support mechanism is currently only set to last for two further auction rounds. The impact of the proposed changes from the TCR would be considerably longer lasting. Without further Government commitment the required support to enable offshore wind to absorb the impact of the proposed changes would not exist. With the proposed TCR changes impacting offshore wind as much as onshore and solar, without any support mechanism offshore wind capacity build would also decline as a result of the proposed changes. Further to this, the proposed changes would place upward pressure on CfD prices for offshore wind and it is not apparent that this has been considered in Frontier's analysis.

Impact on existing renewable Projects with subsidy

We are disappointed with Ofgem's failure to consider the impact of the proposed changes on renewable generation projects that are already in existence particularly those that are under construction. We understand from the recent Charging Futures Forum that Ofgem consider that network charges are not the mechanism for which support for renewables should derive and instead it is Government interventions that should support renewable build-out. Whilst this could arguably be the case for future projects yet to be committed to a single location, for those projects under development, in construction or indeed already operational under subsidy mechanisms the opportunity to secure funding from the Government has already passed. The CfD price does not include an adjustment factor for TNUoS leaving projects fully exposed to significant increases in cost

[3] Wider System Modelling: Renewable sensitivities, Frontier Economics, July 2019, Page 4.

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as a result of the proposed changes. Whilst all projects awarded CfD acknowledge that they take on a degree of developer regulatory risk, the nature of the proposed changes to network charging are so significant as to be unforeseeable. Such significant removal of value from existing operational projects can be expected to have consequence with respect to investor confidence and cost of capital. It may also place upward pressure on wholesale energy prices given that many operational projects are partially or wholly remunerated through sale of power into the wholesale market. We are concerned that this aspect has not been considered in the analysis undertaken.

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