

04 September 2020

To whom it may concern,

**RIO-T2 Draft Determinations: Consultation Response**

ERG welcomes the opportunity to respond on the RIO-T2 price control period proposals. In summary, we support the response composed by Scottish Renewables (SR) and share their concerns particularly with regard to the impact on renewable generation deployment, the net-zero re-opener and uncertainty mechanisms.

**About ERG**

ERG has been actively operating in the energy sector for more than 80 years (Est. 1938). Today, ERG is a leading European wind operator with an onshore wind portfolio composed of more than 1,200 turbines from the main original equipment manufacturers (OEMs). ERG has operational onshore wind assets of approx. 2 GW in Europe and new developments in France, Germany, Poland and the UK and takes an integrated long-term approach to the development, construction, management and maintenance of its assets. Besides onshore wind, ERG also own and operates solar and hydro assets, as well as a combined cycle natural gas plant.

ERG actively contributes to the fight against climate change by investing in green energy. ERG plans to continue growing its renewable energy portfolio in the UK, using its industrial knowledge, local presence and quality sites, whilst operating efficiently with a high level of expertise. ERG has high ratings in environmental, social and governance and Carbon Disclosure and features among the top 50 most sustainable corporations in the world.<sup>1</sup>

**Impact on renewable generation deployment**

In support of the SR response on the importance of the uptake of renewables on our electricity system are the estimates on the levelized cost of energy<sup>2</sup> for different technologies recently published by BEIS. Onshore wind and solar, followed closely by offshore wind, are shown as being the cheapest form electricity generation (therefore it would follow they represent least cost to the consumer). It is clear these forms of renewable development will play a large role in the UK's

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<sup>1</sup> <https://www.corporateknights.com/reports/2020-global-100/2020-global-100-ranking-15795648/>

<sup>2</sup> <https://www.gov.uk/government/publications/beis-electricity-generation-costs-2020>, BEIS, 24 August 2020

net-zero future, and ERG support the request for pre-construction funding to allow the reinforcements necessary to “proceed with confidence and at a pace necessary to consent and deliver in time for 2030”<sup>3</sup>.

Reaching the 2030 targets is the next large challenge for the UK and the effectiveness of our ability to coordinate net-zero aligned actions across sectors will set the foundation for reaching 2050 targets. Regulator’s requirements set for this next price control period which may affect deployment rate will be instrumental in setting this foundation. We urge OFGEM to weigh their final decision against a criterion of impact on delivery of the infrastructure necessary to support low-cost renewable generation, whether it facilitates, impedes, or has a neutral effect on deployment rates. Related to this, please see the Wider Impacts section below.

### **Net-zero re-opener**

ERG support the request for clarity around the net-zero re-opener. When access to policy support mechanisms (e.g. the CfD) were withdrawn from mature renewable technologies the industry lost clarity required for financing and construction. This impacted on the industry in two ways – reducing deployment rate and reducing employment levels<sup>4</sup>. We would encourage OFGEM to consider the impact of the approval timescales, assessment stages and materiality thresholds and provide confidence for investors where possible so that the same effects of deployment delays and corresponding reduction in employment opportunities do not repeat.

### **Uncertainty Mechanisms**

ERG supports alignment of CfD timescales with RIIO-T2 uncertainty mechanism timescales, and further to this note that grid connection provision and planning determination timelines should also be aligned where possible. ERG also support increased certainty surrounding funding of pre-construction activities necessary to provide information required for approval of wider network reinforcements.

Currently, many developers accept grid connection offers ahead of planning consent because of the lengthy timelines required to facilitate a connection.<sup>5</sup> The proposed Uncertainty Mechanisms would likely stop a developer from being able to contract a grid connection date in-line with predicted development timescales due to “significant delays in investment” which mean “any customer connection contracts that are currently dependent on the completion of any ‘uncertain’ reinforcements may have access to the transmission network delayed until 2030 and beyond.”<sup>6</sup>

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<sup>3</sup> Scottish Renewables consultation response

<sup>4</sup> <https://www.theguardian.com/environment/2020/jan/13/just-one-new-onshore-windfarm-started-up-in-uk-in-2019>

<sup>5</sup> If connections could be delivered within two years of planning consent, this would not be the case. However, planning, regulation, landowner negotiations and wider reinforcement timescales, make a guaranteed two-year connection date likely unachievable.

<sup>6</sup> Contracted Customer briefing note, Ofgem’s RIIO-T2 Draft Determinations, SSEN-Transmission

This affects a developer's ability to meet business plan targets, it does not align with planning consent (usually valid for 3 to 5 years depending on the size of a project), and may not allow securing a route to market through bidding into a CfD with shorter-term delivery years which reflect the speed at which a onshore project can be developed.

## **Digitalisation**

We strongly support Network Owner digitalisation and urge OFGEM to re-consider proposed cuts to this budget.

## **Wider Impacts**

OFGEM's response to the RIIO-T2 and TCR consultation are stated to reduce consumer costs, however, in both cases the likely impacts would cause deceleration of renewable generation development in a time when there is global acknowledgement and push to accelerate the renewable transition.

In this view, we query if OFGEM have taken wider impacts into consideration when calculating cost to consumer. For example, increased deployment of renewables is expected to reduce wholesale costs of electricity – have the benefits of reduced electricity prices been factored in?

We would welcome OFGEM demonstrating consideration of wider impacts on consumer costs in this and future analyses.

Your sincerely,

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