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# Offshore Transmission Owner Regime: End of Tender Revenue Stream Consultation

## Response from The Crown Estate

April 2021

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### 1. Introduction

The Crown Estate is an independent commercial business created by an Act of Parliament to manage a diverse portfolio that includes the seabed around England, Wales and Northern Ireland. In this capacity we work closely with industry and stakeholders to enable the sustainable development of the seabed, including by providing seabed rights for offshore renewable energy, as well as marine aggregates and minerals, cables and pipelines, and carbon capture and storage.

Beyond providing seabed rights, we play an active role in developing and helping to sustain the UK offshore wind sector as a whole, working together with industry, government, regulators and our many stakeholders to unlock the potential of our world-class seabed resources, while balancing the wide range of interests in the marine environment. We do this by taking a long-term view, working to identify and address common challenges, bring industry together, and encourage information sharing. All of which has helped to attract investment, bring down costs, unlock value, and support the UK's decarbonisation objectives.

### 2. Offshore wind and OFTO operator survey

The UK Government made a significant commitment in June 2019, passing legislation which commits the UK to a 'net-zero' greenhouse gas emissions target by 2050. It is widely expected that offshore wind will play a crucial role in delivering against this target, as evidenced by the Government's target of delivering 40GW by 2030. Additionally, scenarios published by the independent Committee on Climate Change suggest that at least 100GW GW of offshore wind capacity could be needed by 2050.

Given this backdrop, the policy and regulatory arrangements for offshore transmission are of the utmost importance, given the criticality of this infrastructure to transmit electricity generated offshore to consumers. We welcome therefore that Ofgem is now addressing an area of uncertainty to arrangements that would apply once the original period of the tender revenue stream comes to an end.

As you will be aware, we undertook research among operators of both offshore wind farms and OFTOs on this issue in late 2020. This was in response to some concerns we were aware of from our customers around the lack of clarity in the arrangements. At the time of the survey 53% of the offshore wind capacity that was operating and under construction in the UK was connected to transmission assets with only a 20 year tender revenue stream. CmY Consultants Limited were commissioned to undertake this work and the results are enclosed with this response.

We would like to draw your attention to the following key findings:

- OFTOs and wind farm operators wanted certainty on transmission asset life extension as early as possible. The ideal window when certainty is needed is between six to ten years from the date of final commissioning of the wind farm. The average age of existing OFTOs is 9.5 years, which is at the end of that preferred window;

- Regulatory uncertainty was found to encourage short term operations and maintenance strategies and undermine longer term asset integrity, which would impact operating costs in any extension period;
- A need was highlighted for a condition assessment of the transmission assets and their reliability for life extension decision making. The importance of monitoring, storing and accessing data from early in the transmission asset's life was considered crucial to understand asset integrity; and.
- All OTO and wind farm operators thought there should be a requirement/mandate for them to liaise and discuss their preferred intention in regards to their respective asset. Collaboration would be required in order to extend.

Since undertaking the work, we have shared the results with offshore windfarm operators, OTOs, the ENA OTO forum, BEIS as well as with Ofgem. We are also using the findings to inform our own understanding of the issues faced and are considering how we best use the insights to improve our customer experience.

### **3. Longer asset lives**

Whilst not explicitly the subject of this consultation, we wanted to take the opportunity again to highlight the work we undertook in 2019/20 on the potential benefits of exploring longer asset lives for offshore transmission infrastructure. We have discussed this work and the results with Ofgem before, but it seems pertinent to raise this again in the context of the current consultation.

As part of Offshore Wind Leasing Round 4, we intend to grant leases for offshore windfarms and the associated transmission assets for 60 years. We are aware however that the regulatory framework for offshore transmission means that these assets have much shorter revenue streams, currently 25 years, and are designed accordingly. Given our role and the long term perspective we take to management of the seabed, we published analysis in early 2020 on the technical and economic case for pursuing longer design lives for offshore transmission infrastructure, to cater for two windfarm life cycles. This work suggested that there were potentially cost and environmental benefits of designing offshore transmission infrastructure to last for longer.

The analysis was carried out by ITP Energised and the final summary report is attached for reference. Whilst the analysis, like all cost-benefit analysis, is sensitive to the assumptions, we believe there is merit in considering the outcomes further – potentially through this consultation or as part of the more overarching Offshore Transmission Network Review – given that there appears to be economic upside to longer design lives. Further, the work identified a range of other advantages that we did not quantify (such as improved asset reliability, CO<sub>2</sub> reductions, waste reduction and reduced offshore working time). Arguably the analysis would seem more relevant in a more coordinated world rather than radial one given the offshore transmission assets would be used by more than one offshore wind farm that will presumably be developed over different time horizons.

### **4. Conclusion**

We see life extension of existing wind farms as a valuable contribution to achieving 40GW by 2030 and the UK's net zero target by 2050. The survey we undertook has provided valuable insight into some of the key factors affecting decision making and planning for extending the life of operating assets beyond 20 (25) years, and we trust therefore that you will find these constructive in finalising policy arrangements. We would be very willing to provide additional information on any of the points we have raised. We would also like to be part of the continuing dialogue on this and would be happy to discuss these matters with you further.

All of this response may be put into the public domain and there is no part of it that should be treated as confidential.

Yours sincerely,

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