

Stephen Taylor
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

SSE plc
Head Office
Inveralmond House
200 Dunkeld Road
PH1 3AQ

polina.ruthven@sse.com

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Dear Stephen

Offshore Transmission Owner (OFTO) End of Tender Revenue Stream – Consultation concerning policy development

SSE welcomes Ofgem's consultation on the policy changes required to extend an offshore transmission system regulatory revenue period where a generator decides to stay operational beyond its originally anticipated lifetime.

As a matter of background, SSE Renewables operate Greater Gabbard Offshore Wind Farm which is a joint venture between SSE Renewables (50%) and RWE Renewables (50%). The licence for Greater Gabbard OFTO plc was awarded on 26 November 2013 through Tender Round 1 with a revenue entitlement period of 20 years. SSE Renewables also operate Beatrice Offshore Wind Farm, a joint venture between SSE Renewables (40%), the Renewables Infrastructure Group Limited (17.5%), Equitix (17.5%) and Red Rock Power Limited (25%). An OFTO licence is expected to be awarded shortly to TCP through Tender Round 6. In respect of either of the wind farms, no decisions have been made in relation to extending the operational life of the wind farms.

SSE Renewables accept that, based on Ofgem's preliminary proposals outlined in this consultation, a notice of an intention to extend the life of the wind farm will need to be provided to Ofgem in sufficient time. This decision will ultimately be informed by the power market outlook and the outcome of the health checks for respective generation and transmission assets.

While the consultation raises a number of key areas for consideration, it is our view that further discussion on a project by project basis will be required to ensure that each extension is granted taking into account specifics of a particular project.

Establishing whether extending offshore transmission system regulatory revenue periods is in the best interest of electricity customers

We support Ofgem's approach where each extension is considered on a case by case basis with health checks of both generation and offshore transmission assets informing the economic case for extending the lifetime of the offshore transmission assets. We would welcome further details on the assessment Ofgem intends to undertake to evaluate extension proposals to identify whether a particular extension is in the best interests of electricity customers. For example, in a scenario where existing consents and rights for a particular wind farm site warrant repowering of a wind farm but substantial works are also required to

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upgrade the offshore transmission infrastructure, it is not clear whether Ofgem could conclude that an extension is not in consumers' interests. . It is our view that significant engagement between a wind farm owner and Ofgem will be needed to ensure that the outcome of health checks is well understood and reflected appropriately in Ofgem's assessment.

We are supportive of the proposals for a wind farm owner to carry out and pay for health checks for both a generation asset and associated offshore infrastructure. Where there is a case for extending the economic life of the assets, we expect that tripartite discussions between all parties would take place at the initial stage to establish what sort of guarantees or confirmations are needed to underpin an intention to extend the life of the assets in any particular case.

Further Investment

We also agree with Ofgem's considerations that the party to cover further investment required to enable an extension of the regulatory revenue period should be dependent on the point in time when the investment needs to take place. In particular, where additional investment is needed prior to the end of the existing regulatory revenue period, this investment should be paid by the existing OFTO. We note, however, that given commercial implications of any delay to these works, a generator should have some level of oversight and involvement in the process.

Separately, given that most of the licences granted through Tender Round 1 expire after 2030, it would be useful to understand if and how any upgrades to offshore transmission infrastructure for existing OFTOs are expected to interact with the enduring regime for the offshore network development.

The tender revenue stream for any further regulatory revenue period

We consider that it might be best to determine the cost mechanism and offshore transmission ownership on a project by project basis, depending on the required extension length and specifics of the project. In some cases, where existing assets have viable life remaining, an approach which would allow flexibility to review the extension period at intervals and extend it further as required might deliver most value in terms of keeping the wind farm operational for as long as practical without incurring additional costs of commencing a new process for the OFTO revenue extension.

Yours sincerely,

Polina Ruthven
Regulation Manager