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Thomas Johns
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Dear Thomas

TI response to “Eastern HVDC – Consultation on the project’s Initial Needs Case and initial thinking on its suitability for competition”

Transmission Investment, as one of the UK’s leading independent transmission companies manages one of the largest offshore electricity transmission portfolios. Our managed portfolio of Offshore Transmission Owner (OFTO) assets includes the connections to seven offshore wind farms, and we will take over management of a further three offshore wind connections in 2021 – in total a portfolio of approximately 3.2GW and over £2bn in capital employed. We are one of the largest managers of offshore wind transmission in GB, which is the largest offshore wind market in the world.

Transmission Investment is also a strong advocate of introducing competition into the delivery of onshore transmission and we continue to support the development of the required arrangements *inter alia* through industry groups, responding to consultations such as these and providing evidence to parliament.

Transmission Investment is leading, in partnership with the French national grid company RTE, the development of a proposed 1400MW HVDC interconnector between France and Britain via Alderney (“the FAB interconnector project”). This project was granted cap & floor regulatory treatment in 2015 and whilst it continues to experience Brexit related delays, it will commence construction as soon as the regulatory process allows. Transmission Investment is also in the early stages of developing a 700MW HVDC interconnector between Scotland and Northern Ireland (“the LirIC interconnector”).

We welcome the opportunity to provide our views on the Initial Needs Case (INC) of the Eastern HVDC projects (EHVDC). We have provided our general comments below and answers to your direct questions are included in the appendix attached to this letter.

Generally, we agree with Ofgem’s view on the INC of the two Eastern HVDC links. We see these projects as critical to ensuring the GB transmission network can efficiently connect future generation and demand.

We also agree that Ofgem should leave open the decision on the delivery model until the Final Needs Case (FNC) decision point, as use of a competitive delivery model, if then available,

would likely realise significant cost savings for customers. Ofgem shall therefore require that the FNC submission includes a robust delivery plan envisaging the project timely delivered under a competitive delivery model, among other delivery options.

We would like to highlight that the availability of network capacity offered by TO's to future connectees is dependent on the timely delivery of these projects. A significant number of Construction Agreements include the East Coast HVDC links as require Transmission Works to connect¹. The INC does not appear to consider the consequential impact to these connecting projects in case of a delay to the EHVDC projects or if Ofgem decide that the EHVDC projects are not to proceed. This should be considered in Ofgem's decision making process and clarity provided if Ofgem were not to approve the EHVDC projects.

Consequently, we would urge Ofgem to ensure that projects are progressed in a timely fashion to deliver the necessary commissioning dates, and also that they are brought forward to FNC stage in sufficient time to allow the full choice of delivery models under consideration. This unfortunately has not been the case to date.

We would also like to highlight the low level of information provided in this consultation when compared to other similar projects. The Initial Project Assessment (IPA) consultation of HVDC projects regulated under a Cap and Floor model included significantly more commentary on the cost benefit analysis and included an independent CBA report². The Interconnector Policy Review also provided an additional independent CBA beyond that of the NGESO Network Options Assessment. Given the impact of the EHVDC projects on the British National Transmission System, the magnitude of costs being underwritten by consumers potentially in entirety and potentially with a monopolistic approach to the delivery model, we would expect at least the same level of information to be published and consulted upon. The questions posed in the consultation require detailed answers but are based on limited information provided by Ofgem. Sufficient levels of information are required to allow responders to provide their own views rather than views led by the limited information provided by Ofgem. We would hope this is addressed at the Final Needs Case (FNC) consultation phase.

If you would like to discuss any of the points raised in this response, please do not hesitate to contact me directly.

Yours sincerely,



Chris Veal
Managing Director

¹ There are a number of projects which have connection agreements dependent on these EHVDC projects being realized in a timely way. A list can be found at:

<https://www.nationalgrideso.com/document/109126/download>

²<https://www.ofgem.gov.uk/publications-and-updates/cap-and-floor-regime-initial-project-assessment-gridlink-neuconnect-and-northconnect-interconnectors>

Appendix

Initial Needs Case Assessment

Question 1: Do you agree that meeting the technical requirement with the two proposed HVDC links is appropriate?

Based on information available in NGENO Network Options Assessment we agree that the technical requirements can be met by the implementation of the proposed HVDC links.

Question 2: Do you agree with our initial conclusions on the cost benefit assessment and the appropriateness of the options taken forward?

The CBA has not been provided as part of this consultation and Ofgem have only provided their own commentary on the CBA. There is insufficient information to be able to agree or disagree with Ofgem's conclusions or the appropriateness of the options being taken forward.

However, we do share the concern of Ofgem in that if the CBA has been based on FES 2017 scenarios it will not consider the latest government ambitions and in particular the Net Zero target. This significantly shifts the supply/demand expectations for Great Britain and therefore the context in which a future network would need to perform. However, our expectation is that this would increase the requirement for further networks reinforcement in this area and therefore improve the case for the EHVDC projects.

Question 3: Do you agree that on the balance of evidence including CBA, recent FES and NOA documentation, that these investments appear low regret?

We agree that if these links perform as expected that these investments appear low regret. Ofgem must ensure that incentives within the future regulatory framework focus on the reliability of these links. Although not mentioned in the consultation document it is our understanding that these HVDC links will operate on a lower redundancy basis than the onshore AC network. It is not clear how this was considered when assessing the benefits of onshore OHL options against the offshore HVDC options. This concern is not simply a comparison with availability as the immediate impact of an outage on a high capacity HVDC link and the cost of ensuring the network will remain stable in the event of such outage will be material in its CBA. This is a real concern as demonstrated by the technical issues (and resulting constraint costs) experienced on the Western HVDC link which is currently under investigation by Ofgem (outcome pending)³.

³ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-opens-investigation-national-grid-and-scottish-power-transmission-over-delivery-and-ongoing-operation-western-hvdc-subsea-cable>

Question 4: Are there any additional factors that we should consider as part of our Initial Needs Case assessment?

We would expect additional analysis of the technical design of the HVDC links to be considered. This would include:

- Optimal capacity based on potential asset cost – The cost of an HVDC link is not linear against the capacity and therefore optimal capacity levels against cost will exist. I.e. if there is a network need for 4GW of capacity a 2.8GW and 1.2GW link may be optimal. This assessment should also be completed taking a view on the capacity requirement for further HVDC links.
- Asset reliability – The reliability of the links is key to them achieving the needs case. Ofgem should seek reassurance on the approach to the procurement of these links that a design is being sought that mitigates the longer-term risk of reliability issues. This is in line with the approach taken by Ofgem for HVDC interconnectors regulated under their Cap and Floor Regime and will include:
 - Optimal HVDC configuration – HVDC links can be designed as monopolar or bipolar (or combinations of the two) providing levels of redundancy. A CBA should be provided to ensure the optimal design configuration is chosen. In this case the cheapest option may not be the best long-term option.
 - Cable type – The benefit of these links will be heavily driven by their reliability and unproven design options should be avoided.

Delivery Model Considerations

Question 1: Do you agree with our proposal to make a final decision on delivery model at the FNC?

Yes, we agree that the opportunity to use a truly competitive delivery model (as opposed to a proxy) should be maintained for as long as possible as we expect that this will be in consumers' interests.

To date, project urgency has been stated as the rationale for not applying a competitive delivery model for projects and this lack of choice is not optimal for consumers. We would welcome an investigation into why these projects have become critical before a decision being made on the delivery model. They have been included in the NOA for several years and have been identified as meeting the requirements for competition.

Question 2: Do you consider there is likely to be any quantifiable consumer detriment if we defer our decision on competition until the FNC?

In our view the implementation of a truly competitive delivery model as soon as possible will outweigh any perceived consumer detriment. It will be important that industry participants, roles and business separation measures are in place so that projects suitable for competition are identified and brought forward as candidates for competitive delivery, and that there are as a result no delays to projects that are competitively delivered. The competition should be able to run largely in the time slot that a monopoly TO would have required for its own procurement process and so no delay needs to result from a competitive process.