

The paper has been written by the Common Weal Energy Policy Working Group which consists of professionals across many disciplines.

We are happy that this response is published in full.

Introduction

Common Weal Energy Group is disturbed that the proposal to extend the Interconnector Cap and Floor approach, which is being consulted upon in all 4 Workstreams, has effectively been predetermined by the UK Government's BEIS White Paper which commits to expand capacity to 18GW by 2030. Moreover we feel that the independent publicly funded research by AFRY which effectively says that the cost benefit analysis case has not been made has in effect been ignored. This research says that consumer prices in the UK for electricity will be higher post 2030 than otherwise, as a significant portion of UK electricity will be exported to the EU provided interconnectors are built according to the model.

We are equally concerned that the long promised review of the transmission charging regime has been significantly delayed and that as a result the auction of Scottish Offshore wind which will provide a major portion of the 40GW to be built by 2030 has been also delayed. When combined with the possible conflict for access to limited cable laying vessels this puts the target for offshore renewables in jeopardy should further interconnectors be built.

Finally we are concerned that the proposal to build more interconnectors effectively underplays the alternative technologies such as battery, hydrogen and other storage devices which could more effectively balance supply and demand across the grid. Whilst existing interconnectors have helped secure supply over the past years and helped keep electricity prices low, the analysis across the EU is that the main emphasis must be to decarbonise each country as fast as possible. Given the exit of the UK from the EU and the likely divergence of regulatory regimes, the viability of further interconnectors must be questioned.

We will respond to Workstreams 3 and 4 over the next week.

Workstream2

Section 2 Question 1: Do you agree with the approach we have taken to workstream 2?

We agree with the overall approach taken however, the limitations placed on the models e.g. exclusion of Capacity Markets mean the interpretation of the models is questionable. We also believe the regulatory uncertainty may mean a pause in the timeframe to ensure no backdoor subsidies are granted.

Question 2: What are your views on the scenarios, assumptions and methodology that AFRY has used to model notional future interconnectors and the impact of cross-border interconnector flows?

As stated above we find the models to be limited. Moreover the exclusion of other technical options such as battery or hydrogen backup to ensure more stable electricity flows means that potential cost cannibalisation has been excluded and the overall welfare benefit may be exaggerated.

Question 3: Do you agree with our view on the results of AFRY's modelling? Do you agree that this modelling supports the needs case for further interconnection ?

AFRY found there was negative GB consumer benefit from interconnectors. The only benefit seems to be to producers from exporting electricity. Many of these producers are not GB based. The effects would be slightly higher electricity prices to GB consumers. We are not persuaded that based on the AFRY report the case for more interconnection has been made.

Indeed Ofgem themselves point this out "We recognise that the allocation of benefits from the modelling suggests a negative impact on GB consumers from a socio-economic standpoint,

however we consider that the modelling methodology and assumptions underplay interconnectors' socio-economic value".

We would remind Ofgem that they set the methodology and assumptions. The results don't bear out the assumed conclusion. We also do not agree that the wider socio-economic value which is considered in Workstream 3 justifies the conclusion however, we will make these points in our response to that consultation.

Question 4: Is there any further information or additional studies that you think should be factored into our analysis?

We would draw your attention to the Scottish Southern Energy Networks [ssen-transmission-tnuos-paper-february-2021.pdf](#) and a further report from Renewables UK [RIDG_1 copy \(ymaws.com\)](#). These make the case that Ofgem itself is restricting the ability of Scottish Wind to instigate the auction for offshore wind projects auctions through delays in revising the transmission charging system.

Section 3 Question 5: Do you agree with our conclusions? If not please explain why and provide supporting information if available.

We do not agree that the case for further interconnectors has been made at this time given the uncertain regulatory regime and the absence of capacity markets and backup storage and other technologies in the modelled scenarios.

Other Question 6: Do you have any further feedback on the work presented in this consultation document ?

We will make further comments in our response to workstream 3.