

## **Mott MacDonald Response – Workstream 4**

### **Question 1: Do you agree with the approach we have taken to workstream 4?**

We would have welcomed the opportunity to participate in interactive forums to discuss this matter. Only one call for evidence was issued which contained specific questions, some of which were not particularly relevant to our particular organisation. Hence we consider that interactive discussion sessions with all responders would have been a better way to ensure all points were captured.

### **Question 2: Do you think we have missed any important benefit that MPIs could deliver?**

We agree with the benefits identified. These capture the majority of items which we identified in our response to the call for evidence.

### **Question 3: Do you agree with our views on the conclusions of the ITPR?**

We agree with the initial views. It is important for someone to take responsibility for identifying the need and potential benefits of MPIs in a system wide context and it seems sensible for this to be ESO. Clearly more work will be required to see how this is implemented in practice.

We also agree that regulatory certainty is required to enable developers to identify potential future projects and begin building the relevant business cases. We consider that this is an immediate requirement due to the lengthy development phase of such projects and, given the lack of clarity in this area at the moment and the timeframe it takes to develop such solutions, it may already be too late to allow MPIs to play a part in the 2030 ambitions.

There could be potential to explore specialised working groups which may include ESO , developers and consultants to define the most optimised solution in order to achieve the targets.

### **Question 4: Do you agree with our proposal to further explore the applicability of the cap and floor regime for the MPI projects currently under consideration? Please provide supporting information if available.**

The advantage of the cap and floor regime in relation to the interconnector capacity of the MPI is that it provides some incentive to the operator to maximise revenues (which are dynamic, based on market conditions). We would thus support further exploration of how the regime could be adapted to MPI's.

However, it is difficult to see how C&F could be made consistent with other regimes for connection of wind farm capacity. Other models provide a 'firm' export path for the wind farm output for a fixed charge, an approach which is well-established in the industry and is accepted by funders. Any attempt to change this regime may be a discouragement which results in wind farm developers prioritising construction of projects that are not MPI-based. Consideration could thus be given to a hybrid regime in which the capacity is identified as interconnector/wind farm connection, with the wind farm proportion of the overall cost funded through a TRS regime and the remainder through C&F. To maximise the benefit of the MPI, we would envisage the capacity allocation to be flexible and dynamic, such that in low wind conditions a higher proportion of capacity was available for interconnector transfers.

Further we consider that utilising the cap and floor regime, albeit with the necessary adjustments, is applicable as developers are likely to already be familiar with this. We consider it would be important to establish a single source of information in relation to the regulatory regime which fully explained the different aspects and provided links to the latest suites of documentation. Presently it appears difficult to locate such a source of information and in order to understand the full picture of the cap and floor regime it is necessary to consult several different documents, both historic and current.

**Question 5: Do you agree with our proposal to also consider alternative regulatory models for MPI projects in the long term? What models should we consider? Please provide supporting information if available.**

See response to Q4. We believe other regulatory models should also be considered, particularly in the event that the overall strategy is for MPIs to be centrally co-ordinated as opposed to developer led. In this instance it may be more applicable to consider extending the responsibilities of the TOs (as employed successfully in countries such as Germany) or establishing an offshore TO who will specifically be responsible for offshore assets, given the expected significant increase in assets of this type. This may also depend on the outcome of the offshore transmission review. The different regulatory models listed in the document would appear to be reasonable in this event. We are not sure what benefits the OFTO model would present in this instance as compared to the developer led model.

Furthermore, the model needs to highlight the incentive for the developers to invest in the transmission infrastructure which includes transmission infrastructure required for windfarm and additional infrastructure for interconnector. The chosen scheme needs to be developed in conjunction with ESO/TO, offshore wind farm developers, interconnector developers or OFTOs as applicable where the developer is incentivised for infrastructure in TRS/TNUoS charges.

**Question 6: What other wider policy issues or aspects related to MPIs should we be aware of?**

It will be important to understand the primary objective of providing an MPI. Since it is unlikely that an offshore wind farm would be economically viable without firm connection rights at a predictable cost, we would anticipate that priority will be given to handling any output available from the wind farm in real time. Any 'spare' capacity could then be available for interconnector power flows, which would fluctuate in real time as the forecast wind farm export changed.

Giving priority to interconnector flows, or a requirement for the wind farm operator to purchase MPI capacity in operational timescales, would have a significant impact on wind farm viability and we do not feel that this would be supported.

We strongly believe that the policy in relation to interconnectors and MPIs needs to be considered in conjunction with the outcome of the offshore transmission network review. The two are likely to be intrinsically linked and it would not seem sensible to consider either of them in isolation.

With connection of Offshore wind there is a possibility of transfer of power in either direction and any regime developed needs to consider the implications of this. Regulatory policy and offshore tariffs need to be evaluated for this case.

**Question 7: Do you agree with our initial conclusions? If not, please concisely explain why and provide supporting information if available.**

We agree with the initial conclusions presented, taking into consideration our responses to the previous questions.

**Question 8: Do you agree with our initial proposals? If not, please concisely explain why and provide supporting information if available.**

We agree with your proposals but would note our earlier response that we consider time to be of the essence in respect of allowing MPIs to form part of the 2030 and 2050 solutions. Therefore we consider that swift action is necessary. We consider that your decision document needs to provide clear and firm steps which will be taken, a timeline, and details as to how stakeholders can become involved. It is important to document who will take ownership of this issue and how a resolution will be reached to enable developers (or others, depending on the outcome), to move forward.

**Question 9: Do you have any further feedback on our analysis, conclusions or proposals presented in this consultation document?**

Not at present.

