

## **OFGEM CONSULTATION**

### **Increasing Coordination in the development of offshore energy networks**

#### **Response on behalf of Norfolk Parish Councils**

##### **1. Introductory Remarks**

This response to the Ofgem consultation is on behalf of the 39 Parish Councils in Norfolk, listed below, who have joined together since February 2019 to promote the rapid evolution of an Offshore Transmission Network (OTN) for offshore wind farms.

We feel badly let down by the failure of Ofgem and by its governing body the Gas and Electricity Markets Authority (GEMA) to fulfil their statutory duties and responsibilities<sup>1</sup> to protect the best interests of consumers. Specifically, we charge these authorities as follows:

- a) **With reference to your duty: “Before deciding to carry out its functions in a particular manner with a view to promoting competition, the Authority will have to consider the extent to which the interests of consumers would be protected by that manner of carrying out those functions and whether there is any other manner (whether or not it would promote competition) in which the Authority could carry out those functions which would better protect those interests”.** The authority has let developers progress with applications to National Grid for connection to the onshore electricity network using radial connections and has failed to insist on the development and use of an OTN which would better protect the interests of consumers.
- b) **With reference to your duty: “In performing these duties, the Authority must have regard to: ...the need to contribute to the achievement of sustainable development”.** It is clear that radial connections are not sustainable. They are not suitable for an integrated onshore and offshore network capable of supporting the UK’s future energy requirements and require significant additional onshore assets. The authority should have moved faster to encourage an integrated approach to development.
- c) **With reference to your duty: “The authority is required to carry out... (its) functions in the manner which it considers is best calculated to:**
  - **Promote efficiency and economy on the part of those licensed under the relevant Act and the efficient use of...electricity conveyed by distribution systems or transmission systems”.** It is clear that radial connections do not promote efficiency or economy. National Grid estimates that the failure of Ofgem to insist on an OTN by 2025 will result in 50% additional onshore assets and a cost of £6bn for consumers.
  - **Protect the public from dangers...and...** No comment.

- **Secure a diverse and viable long-term energy supply, and shall, in carrying out those functions, have regard to the effect on the environment.** National Grid estimates that the failure of Ofgem to insist on an OTN by 2025 will result in 50% additional onshore infrastructure assets including landing points and cabling. The effect of Ofgem's failure will be devastating for the environment and for consumers – especially in Norfolk.

- d) We note that Ofgem believes the current lack of coordination occurs for a number of reasons including “the broad commercial and regulatory landscape”. Yet who else, besides Ofgem, is responsible for anticipating, creating and regulating that “landscape”? Why has Ofgem not carried out its responsibilities?

Notwithstanding the above, we welcome the opportunity to comment on this consultation. We are not technically able to comment on several of your questions and in the case of others we are not expert in how such projects are best funded where, for example, recuperation of anticipatory investment is required. We have mostly confined our remarks to those where we think you should be aware of the “local” view.

## **2. Comments on Early Opportunities Questions**

**Question 2:** We note that this consultation is aimed at all stakeholders but particularly developers.

- I. We are concerned therefore that this Question asks whether anticipatory investment (AI) risk should be shared with consumers and, if so, what level of risk it is appropriate for consumers to bear. It can safely be assumed that developers would wish to offload as much AI risk as possible and, if Ofgem is offering to make the consumers pay, then the developers' response to this question will be “as much as they can tolerate” but couched of course in sympathetic language. We wonder how meaningful the answers that you are expecting will be.
- II. We note that Ofgem proposes AI risk should be shared between developers and consumers because “...this would be in line with the policy assessment criterion of allocating risk to those best placed to manage it...” (Section 2.40). Your explanation of how we, as consumers, are able to manage the risks of developers' anticipatory investment would be welcome. If this will be done on our behalf by Ofgem, then bearing in mind their track record (see Introductory Remarks) we would be right to have significant concerns.
- III. We note that Ofgem proposes the consumers' contribution should be the minimum required to secure AI from developers. What safeguards will Ofgem be putting in place to ensure developers do not take advantage of this?
- IV. We also note that consumers of electricity in this region – which is of course the majority of the population – are already being assumed to bear the onshore health and welfare costs of offshore wind projects, im-

posed as externalities upon that population, costs which remain unconsidered and indeed un-costed because of the inappropriate costing methodology adopted by Ofgem and others. This matter has been drawn to the attention of the developers and PINS on many occasions but remains curiously and indeed inexplicably unconsidered in their responses.

**Question 7:** We believe that Ofgem is proposing precisely the wrong approach with regard to the Early Opportunities workstream by allowing developers to opt in.

- i. There are no insuperable technical issues with connecting all the current projects proposed for Norfolk (i.e., Hornsea 3, Norfolk Vanguard, Norfolk Boreas, SEP and DEP) to the national grid via an OTN. We further consider that there would be no insuperable contractual and commercial implications, given sufficient goodwill and incentivisation by the various parties. We believe that Ofgem should take the lead in ensuring coordination of projects and, if necessary, arranging compensation to be provided to developers perhaps using reduced contributions to the “Offshore Wind Wealth Funds” proposed in the recent Policy Exchange “Crossed Wires” report.
- ii. Ofgem proposes that developers of “early” projects will be allowed to opt into coordination. This is despite the fact that Ofgem’s Generator Focussed Anticipatory Investment (GFAI) and Wider Network Benefit Investment (WNBI) opt-in initiatives on coordination have not had a single take-up. Why has Ofgem not made National Grid ESO insist on WNBI and GFAI, for instance with Hornsea 3 in anticipation of SEP and DEP?
- iii. What makes Ofgem think that developers will now opt in, even if some of the so-called “barriers” to coordination are removed? What is the incentive? In fact, working with additional companies adds a layer of complexity that developers don’t want, any cost saving from the shared infrastructure will be offset by the cost of re-designing and delays to the project and the re-scoping that will be necessary. They already have costed project proposals so why would they now bother with coordination? Ofgem is being either extremely optimistic or incredibly naïve or both. The only way is for Ofgem to enforce developers to coordinate.
- iv. In Norfolk there have been numerous “consultations” with respect to Orsted’s Hornsea Three, Vattenfall’s Norfolk Vanguard and Boreas and Equinor’s SEP and DEP projects. In two cases, the lead developer will be proposing in their DCO, as one option, to drive a cable path the size of a motorway through the heart of Norfolk and then come along a few years later to dig up the exact same cable path and re-lay it all over again. Can anyone explain the logic of this in terms of anything other than simple greed? Does Ofgem really expect developers to do anything other than pay lip service to coordination when they have come up with that, as a serious proposal? We believe Ofgem should start doing its job properly and must enforce coordination.
- v. We have been told in public meetings by Equinor that their response to the OTNR and the encouragement by BEIS/National Grid ESO and Ofgem to *be ambitious* with “pathfinder” coordination projects is for them to discuss carrying out the SEP and

DEP cabling concurrently as a “pathfinder coordination project”. Of course, this is completely disingenuous of Equinor as concurrent cabling for SEP and DEP has always been their preferred option, so they are simply paying lip service to coordination and Ofgem appears to be accepting this without challenge.

- vi. One of the problems for AI is that future developer projects are unknown or unclear. In contrast, as Ofgem acknowledges in Section 2.35, for the Early Opportunities workstream, the projects and stakeholders are known and the proposals are reasonably advanced. This makes it much more certain about the returns on AI and the benefits of coordination. It is therefore rational and imperative that coordination is enforced for these projects to ensure the benefits for consumers are realized.
- vii. We believe that enforcement of coordination will bring clarity to the current situation and actually make it easier for developers to work together with each other and with other stakeholders as well as help to resolve common issues with the regulators.

### **3. Comments on Pathway to 2030 Questions**

#### **Question 8:**

- I. Yes, we absolutely agree a Holistic Network Design (HND) is the way forward but we strongly believe that it should be expedited as a coordinated development overseen by Ofgem and possibly led by ESO, which enforces connection of all on-going and future projects, including the so-called in-flight projects, to an OTN. The reason is – it is common sense!
- II. The Ofgem consultation also refers to the timeline showing an enduring regime regulatory framework by 2030 – this hardly seems a tough target to reach. When are Ofgem and BEIS going to show any sense of urgency? It needs to be implemented now.

#### **Question 11:**

- I. We note the Ofgem proposal to allow the existing developer-led model to be retained and applied where the HND indicates a radial solution for connection to shore should be used. As you know we are strongly opposed to radial connections onshore because of the environmental damage and disruption. The same applies offshore and we consider a “holistic” design should, as its name implies, encompass all requirements. It is of course difficult to foresee all possible circumstances but the aim should be to minimise environmental impacts.

### **4. Concluding Remarks**

The UK government’s ambition is to be a global leader in offshore wind generation and offshore windfarms have been around for 30 years, yet there is currently a lack of a properly

coordinated UK strategy and concomitant robust regulatory framework for offshore windfarm developments and their onshore connection to the grid.

The proposals to remedy the situation which have been set out by Ofgem in this consultation document are in broad terms welcomed. However, we have the following major concerns:

- a) We believe that all current and future offshore windfarm developments should be connected to the onshore electricity network via an OTN with no distinction being made between so-called Early Opportunities and Pathway to 2030 projects. There are no insuperable technical issues with this approach. There is no obligation on the UK regulators to grant DCOs to windfarm developers, especially those who are not prepared to help develop an OTN or coordinate with other developers. Only one company currently has a DCO and the building work has not yet started, either onshore or offshore. Forcing developers to use an OTN is the only way to minimise damage to the environment, and disruption to the lives and livelihoods of the people of Norfolk.
- b) We believe Ofgem and BEIS should ensure all necessary legal, regulatory and commercial changes are carried out with the highest priority to enable the implementation of an OTN at the earliest opportunity.
- c) We believe that developers should be forced to coordinate their projects. We are seriously alarmed by the continued reliance placed by Ofgem on the developers, and the hope that they will opt into coordination of their projects. We simply do not believe this will ever happen unless developers are forced by Ofgem to do so.

We will continue to resist to the limit of our capabilities all radial connections of offshore windfarms through the Norfolk countryside to the onshore electricity network.

Yours faithfully,

Alison Shaw

Oulton Parish Councillor

-and on behalf of the 39 Norfolk Parish Councils listed below:

Oulton PC  
Edgefield PC  
Corpusty and Saxthorpe PC  
Wood Dalling PC  
Cawston PC  
Salle PC  
Heydon Parish Meeting  
Kelling PC  
High Kelling PC  
Weston Longville PC  
Barford with Wrampingham PC

Mulbarton PC  
Swardeston PC  
Happisburgh PC  
Ingworth PC  
Bradenham PC  
Holme Hale PC  
Necton PC  
Weybourne PC  
Blickling PC  
Aylsham Town Council  
Fransham PC  
Swannington, with Alderford & Lt. Witchingham PC  
Garvestone, Reymerton and Thuxton PC  
Great Melton PC  
Brandiston Parish Meeting  
Plumstead PC  
Brampton with Oxhead PC  
Beeston Regis PC  
Morston PC  
Booton Parish Meeting  
Ashill PC  
Rougham PC  
North Runcton PC  
Hardingham PC  
Gressenhall PC  
Shotesham PC  
Hempstead PC  
Brisley PC

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#### Reference

1. Ofgem: Our Powers and Duties. 13 July 2013 [Our powers and duties | Ofgem](#)
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