

Dear Ofgem/BEIS

Response to Offshore Transmission Network Review consultation on Early Opportunities, Pathway to 2030 and Multi-purpose Interconnectors

Question 2: Should anticipatory investment risk be shared with consumers? If it should, what level of risk is it appropriate for consumers to bear?

Yes, it is appropriate for a level of anticipatory investment to be shared with consumers. Generally, the risk should be proportional to the consumer benefits. For projects that include an element of wider grid reinforcement, e.g. quasi bootstrap, this should expressly account for the reduction in constraint costs that would accrue to the consumer without this investment. It may also be appropriate for the consumer-based investment to be proportionally higher, to facilitate an accelerated delivery, taking account of the additional consumer benefits which an earlier delivery may bring.

Question 3: For concepts that intended to provide a wider system benefit, e.g. by mitigating an onshore constraint, how should the need for investment be demonstrated by the developer?

The need for investment should ultimately be jointly assessed by the developer and system operator. A staged approval process should be followed, whereby for the first stage, a developer's own assessment of benefits may suffice to Ofgem to guarantee cost recovery for early development spend if deemed suitably compelling by the ESO. It is noted that adequate ESO resource must be made available to assess proposals within a reasonable timeframe, i.e. 1-2 months to avoid developers being required to put spend at risk to progress coordination opportunities.

Subsequent stages require a full economic evaluation however cannot be tied into extraordinarily long timeframes for evaluation as in the current NOA/CION process. Instead, for rapid deployment they need to follow the decision-making process that would accelerate the best proposals put forward that meet the broad strategic objectives set by BEIS.

Question 4: What options are available to developers in demonstrating a reasonable expectation they intend to connect to the system?

Connection offers/agreements can be used, as for radial connections. Further demonstration may be provided when available through provision of lease option agreements, planning applications/awards etc and CfD/corporate PPA agreements.

Question 5: To what extent do you agree with our proposals to remove barriers to the Early Opportunity concepts? Please explain your answer.

It is essential to accelerate the decision-making to allow Early Opportunities to progress. The proposals for Early Opportunities are reasonable, however the lack of detail around anticipatory investment and funding models prevents acceleration of these opportunities. If a developer is to take on more cost/risk by developing oversized infrastructure on behalf of either another developer or the wider benefit of the system, they must be provided with a clear regulatory framework to do so, otherwise they risk disadvantaging themselves by increasing their costs in a hugely competitive environment.

The push for coordination between competing developers seems like central planning type idealism trumping the legal practicalities of project development and project financing in what is by design structured as a competitive regulatory and legal framework. The fierce competition between developers in offshore wind has driven costs down dramatically and resulted in the rapid deployment of new technology, providing huge benefits to the energy industry and ultimately the consumer. Moving away from this competitive model jeopardizes this progress and will not provide value for developers or consumers. The proposals do not acknowledge this fact or suggest ways that it may be addressed.

Question 6: Do you believe a Significant Code Review is required to give effect to a potential decision to “share AI” between consumers and developers?

To facilitate early delivery, code changes should be kept to the minimum required to deliver the required results. We therefore agree with the current approach of NGESO led modifications, in close collaboration with developers to ensure that their needs are captured.

Question 7: Do you agree with Ofgem’s proposed approach to deliver the objectives of Early Opportunities workstream?

If the OTNR is to achieve its aims for Early Opportunities of progressing offshore coordination by mid-2020s then there needs to be a significant acceleration of the decision-making progress and adequate resource allocated to allow concepts to progress. Current progress has been frustratingly slow, and risks lost opportunities as projects are left in limbo without adequate visibility of the process.

In particular, more resource must be assigned to ESO and TOs to progress coordination opportunities at pace, *faster* than for standard radial connections, to avoid missing out on connection capacity while radial connection offers continue to be issued. It is suggested that projects are assigned a project manager in ESO and where appropriate TO to drive through the policy and project decisions needed to progress the opportunity.

Ofgem/BEIS must also provide far more clarity to developers on how costs will be recovered to provide the comfort needed that “Opting In” will be in project’s best interests. It is suggested that this is outlined more clearly both on a generic level for each concept and through bilateral discussions with developers.