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Dear Ofgem,

National Grid Ventures (NGV) welcomes the opportunity to respond to the Ofgem consultation on **‘Changes intended to bring about greater coordination in the development of offshore energy networks’**. NGV has successfully developed and successfully operates several point to point (P2P) interconnectors into GB. We are developing a number of multi-purpose interconnectors (MPIs) and have put these projects forward, opting into the “Early Opportunities” workstream as part of the Offshore Transmission Network Review process.

NGV considers that MPIs have a key role to play, within a coordinated offshore transmission regime, in delivering the UK’s ambition of 40GW of offshore wind by 2030 and delivering net zero by 2050. Our main focus remains on MPIs, but nevertheless, we have responded to each of the questions in the consultation below. In general we consider that decisions need to be taken now to provide early clarity to all stakeholders who will have a role in delivering the first coordinated offshore investments as we aim to meet 2030 targets.

### **Early Opportunities questions**

*Question 1: Are there any concepts we have not identified developers (as defined in this chapter) may wish to progress?*

NGV considers that the six concepts identified for offshore coordination are all valid, and should be examined further as part of the Early Opportunities work. We would note though that other, as yet unidentified concepts may come forward, and any such new concepts should not be ruled out at this stage.

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

NGV agrees with Ofgem's policy assessment criterion of allocating risk to those best placed to manage it while increasing the likelihood of effective coordination that benefits consumers.

NGV considers that AI will be a key factor in the success of offshore coordination and therefore will ultimately drive value for consumers. Any increased developer risk as a result of undertaking AI will reduce the likelihood of the AI being delivered, noting that all pre-investment offshore development currently undertaken, whether by offshore wind developers or interconnector developers, is at the developer's risk. Therefore, we broadly agree with the model presented in Figure 10 of the consultation document where the first developer would not face any additional risk.

We agree that there should be a robust examination of all potential AI to ensure that it is efficient and realising the benefits of coordination. We consider that Ofgem could develop principles for undertaking that these criteria are met, and that the AI is in the interests of consumers.

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

NGV considers that a process should be in place whereby the developer can work with the ESO to demonstrate that its proposals provide a wider electricity system benefit and are consistent with any holistic network design or detailed network design.

It may also be appropriate to develop mechanisms which calculate and assess wider socio-economic benefits of coordination which may be realised by anticipatory investment. Such an assessment may feed into any considerations of AI risk being borne by end-consumer beneficiaries.

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

NGV agrees that developers should be able to demonstrate a commitment that they intend to connect to the system, or have that opportunity removed. This could be demonstrated in a number of different ways, either by having a seabed lease agreement, an Ofgem licence and/or ESO connection agreement, a CfD agreement, or otherwise through some financial user commitment. Alternatively Ofgem should consider whether it is appropriate for a developer to transfer its rights to connect to another party.

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

As stated above, NGV agrees with the concepts set out in the consultation document, but other, as yet, unidentified concepts should not be ruled out. We agree with Ofgem's proposals on removing barriers and agree that the treatment of AI will be key to securing the benefits of coordination. We note that where the right circumstances do exist to deliver any such Early Opportunity concept, removal of barriers should be allowed, if required, to result in bespoke solutions for that particular project.

We would like to highlight that the cost assessment process for interconnectors does not result in costs being passed onto consumers (in the same way that the OFTO process does). The interconnector cost assessment process determines the economic and efficient costs that are then used to establish the levels of cap and floor. These levels then determine whether any payments are made to or from consumers as a result of the revenues generated by the interconnector owner.

Under the cap and floor regime it is expected that the majority of the costs of interconnectors would not be recovered from consumers, but instead via the revenues they generate. This same principle could be applied, in the main, to MPIs.

We agree with Ofgem's proposals for amendments required to the OFTO and Interconnector cost assessment process.

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

NGV does not have strong views on this particular point, but the wider point regarding the appropriate method for delivering changes to the regulatory framework for offshore coordination needs careful consideration.

The regulatory framework for offshore development was not designed with coordination of network assets or indeed the sharing of network assets in mind. Rather it sought to provide single use assets underwritten by a single party at cheapest cost to the developer and the GB consumer. While it has been, by Ofgem's own analysis, very successful at this it is unable to deal with coordination of projects or the sharing of assets.

Change is inevitably required, but the method of change is equally important. For "Early Opportunities" projects a long, drawn out and uncertain change process to deliver critical changes to the regulatory framework will not facilitate the timely delivery of projects. Key financial investment decisions in the short term will not be able to be taken against a backdrop of significant regulatory uncertainty. The agility to use parts of the existing framework for Early Opportunities and quickly deliver changes, derogations or exemptions from other parts will be important.

On the points identified in 2.79 to 2.81, there may be benefits in some instances to a different approach to appointment/award of OFTO roles for Early Opportunities. For example, for MPI projects where part of the project may operate as an OFTO it may make sense to consider amending the Tender Regulations to facilitate OFTO and MPI operator appointments being made concurrently to ensure consistent procurement and operability of the different component parts of the project.

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

NGV agrees with Ofgem's desirable charging features for potential CUSC modifications proposals (figure 11) although we note that there is little guarantee that such proposals may be delivered in a rapid fashion under standard industry governance.

We note that in respect of MPIs, it may be desirable and more agile to use the interconnector's charging methodology statement (as required by the Standard Conditions of the Interconnector Licence) to define the charge to be paid by a generator that connects to the MPI. NGV considers that this can be achieved by the Interconnector Licensee proposing and consulting on changes to this charging methodology, and then submitting to the Authority for approval (again via a transparent process which is already defined within the Standard Conditions of the existing Interconnector Licence).

## **Pathway to 2030 questions**

*Question 8: We consider that a holistic design will result in a more coordinated, economic and efficient network. Do you agree? Please give reasons for your answer.*

NGV agrees that a holistic design will, if implemented correctly, result in a more coordinated, economic and efficient network. We agree that the ESO is the most appropriate party to develop the HND, but consider that the ESO must work closely with TOs and offshore developers to do this. We agree with the establishment of the Central Design Group (CDG) and request that the CDG operates in a transparent manner so that all affected stakeholders are aware of the work it is undertaking. We strongly suggest that interconnector parties are represented on the CDG.

Further clarity is required on how MPIS are included within the HND. If the HND has specific objectives (e.g. the connection of a certain volume of offshore wind by a certain time) then it must consider the contribution of MPIS to meeting these objectives.

The ESO is responsible for the Network Options Assessment, with resulting linkages to HND which could align or misalign to policy objectives. We then recommend a review of all such HND-relevant work undertaken by the ESO. This will add clarity to stakeholders and help ensure efficient and effective delivery of the HND.

*Question 9: Do you agree with the planned work for a detailed network design offshore?*

NGV agrees with the concept of a Detailed Network Design (DND) that is developed to determine the exact assets that will deliver a network consistent with the HND. Generally, NGV considers that the DND should be developed by the parties that will build the assets. Therefore we agree with the proposal that the onshore DND is delivered by TOs.

Similar to our comment on the HND above, it needs to be clear how MPIS are included in the DND.

*Question 10: Who do you believe is best placed to undertake the detailed design for assets that are in offshore waters?*

The DNDs for onshore and offshore should be compatible. As long as the HND assures that compatibility, the DND can feasibly be the competent party that will develop, build and operate the assets. The DND should be a licensed activity in order that competence can be assured. Offshore transmission or interconnector licences can set out the requirements for offshore DND for the licensees.

*Question 11: Do you agree that the existing developer led model should be retained and applied where the HND indicates a radial solution should be used? Please explain your answer.*

If the HND indicates that a radial solution is used, then NGV considers that the existing processes for establishing the radial link should be used. This means that the developer-led model could be used, but the OFTO-led model (even though it has never been used), should still be available to developers.

*Question 12: Please provide your views on each of the delivery options we have described in this document. In providing your views, please comment on the issues we have raised. Please also give your views on the implementation issues we have raised.*

*Option 1 – TO Build and Operate*

*Option 2 – TO Build > OFTO Operate*

*Option 3 – TO Design > OFTO Build and Operate*

*Option 4 – Early OFTO Competition*

*Option 5 – Very Early OFTO Competition*

*Option 6 – Developer design and build, OFTO operate*

We note the six models considered and the fact that they introduce different levels of competition at different stages of the process. NGV recognises that competition can, in certain circumstances, deliver economic benefit, but it can also introduce uncertainty and potential delay. Given the imperative to act in this area, Ofgem should consider this trade off carefully to ensure that the objectives of the review are best met.

We note that the models above do not include MPIs. For MPIs, the existing arrangements for interconnector development should be used i.e. developer led, with the developer (and associated partners) designing, building and operating the infrastructure. NGV has already successfully developed offshore HVDC interconnectors and is ideally placed to move forward with MPI development given the embedded capability that we have.

NGV consider that if MPIs were to be considered as a delivery option here then there could be an option 7 for MPIs only: Developer design, build & operate. This is based on two key principles, borne out of our significant experience of cross-border project development:

1. To ensure that the delivery model works for the overseas TSO partner organisation. In this regard in our experience successful cross-border project are developed equitably, normally 50:50 from grid connection point to grid connection point in the connecting countries.
2. To minimise project interfaces and associated cost and risk. In this regard we consider that the entire HVDC transmission system development is by one MPI licensee in the UK and the offshore wind development by the relevant generator licensee in the UK.

*Question 13: Please describe any feasible delivery options that we have not set out in this document.*

Recognising the balance of assuring transmission infrastructure delivery to meet UK Government ambitions for offshore wind and interconnectors by 2030, with promoting ambition in the way this is done, we advocate that Ofgem and BEIS continue to champion the introduction of new coordination opportunities as a constant thread through the pathway to 2030.

One option that is worthy of consideration is whether there should be ‘regional-lead’ developers who take on additional responsibility for coordination leadership on a locational or regional basis. This would help clarify overall roles and responsibilities when there are potentially a multitude of developers operating in similar areas.

Offshore coordination needs also to consider that the offshore network will not be a series of “one-off” local coordination exercises, but rather a constantly evolving network that will be continually added to and extended as new offshore resources connect. For this reason a further option might be to consider coordination leadership and network build on a regional basis, which long term schemes, similar to onshore price controls perhaps, that allow incremental build to be delivered near to existing developments.

## **MPI questions**

Prior to answering the specific comments posed in the consultation document, NGV would like to offer some general comments on MPIs.

NGV supports the objective of the OTNR in relation to MPIs. NGV considers that MPIs will have a key role to play in meeting government targets and helping deliver net zero. Independent analytical work which has already been shared with Ofgem demonstrates the considerable consumer benefit that can be delivered by MPIs.

As a potential future developer of MPIs, NGV has already established partnerships with EU TSOs that will be required to deliver this critical cross-border infrastructure. Through the work that we have already done on MPIs, NGV considers that existing legislation, licences, codes and methodologies can, in combination with exemptions and derogations be made to work for early MPIs, and that it will be beneficial to consider a coordinated set of changes to legislation, licences, codes and methodologies for an enduring solution.

NGV agrees with the assessment that current legislative arrangements were never developed with MPIs in mind. The Electricity Act definition for Interconnector primarily envisages a point to point connection with one of our neighbouring countries. Also, the definition of Offshore Transmission only contemplates a radial link with the Offshore Transmission connecting a single offshore generator back to shore. It is therefore not surprising that an MPI does not fit squarely within either definition, and NGV considers that some legislative and regulatory flexibility will be required to use the existing framework to facilitate early MPIs.

Delivering an MPI will require developing partnerships with overseas TSOs and also with offshore wind developers. It is imperative that OTNR enables the known ambitions of overseas TSO to achieve MPIs by 2030. As such, OTNR must consider the compatibility of the GB regime with future EU models – driven both by the European Commission and EU Member States. Provision must be made in MPI model development for the input of overseas counterparts: TSOs, regulators and ministries. One clear example of this compatibility challenge is the EU's intention to implement an offshore bidding zone ("OBZ") market for offshore wind.

It should be recognised that MPIs are in very early stages of development. As noted in the consultation there are different models for MPIs and there will be different configurations depending upon where offshore generation connects, for instance there may be a project which connects the GB Transmission system directly to a windfarm in the offshore territory of another country with no UK offshore wind connecting at all.

It is likely that bespoke arrangements will be developed for early MPIs as stakeholders assess the risks associated with this innovative technology and comfort themselves that the project is attractive. With this in mind, NGV considers that early MPI projects should be allowed to get off the ground with regulatory arrangements that are bespoke to the project itself (albeit enduring for the lifetime of the project), and that the partners are able to accept.

We also consider that different models may be used for different phases of the MPI project. For instance, construction of the assets might be taken forward under separate regulatory and operating regimes, but when the project becomes operational separate ownership of these assets is likely to result in greater interface risks and costs. Once construction is completed all assets would be more efficiently operated under a common regulatory/operating regime.

We note that further consultations will consider the longer term arrangements for regulation of MPIs, and NGV recommends that a version of the current cap and floor framework is applied to early MPIs. However, NGV recommends that nothing is ruled out at this stage as the offshore grid develops, and a RAB based model may be more suitable as an enduring solution for MPIs. It is important to consider that there isn't a "standard MPI design". All are predicated around a sharing

of network capacity between offshore wind generators and cross border flows. However some may have utilisation by offshore wind as the dominant activity, others may be mostly devoted to cross-border flows and others strike a balance between the two activities. The same asset might indeed evolve as more wind or greater cross-border capacity is added in the years after it becomes operational. As the risk profile of the asset changes it is important then that there is scope for flexibility in the regulatory arrangements.

NGV is in the early stages of developing proposals for detailed commercial and regulatory models for MPIs. These proposals consider the appropriate sharing of revenues between the key stakeholders along with the payments that will need to be made for the use of the MPI infrastructure. The proposals also consider how complementary regulatory arrangements sit alongside these commercial arrangements to ensure consistent treatment. NGV will continue to develop these proposals and is happy to share them with Ofgem at the right time.

*Question 14: Do you think we are focusing on the right models at this stage, or are there other models we should be considering? Is it also necessary to consider the evolution of such MPIs from pre-existing assets? Ultimately, should Ofgem accommodate multiple MPI models (eg IC-led and OFTO-led) or just one? What factors influence your answer?*

NGV considers that the right models are being considered at this stage. However we would also note that other models may develop as the detail of MPIs is developed and actual projects emerge. BEIS and Ofgem should not rule out any other models, such as multi-national hubs or energy islands, as technology and the coordination between offshore transmission and cross-border infrastructure develops.

NGV considers that it is unlikely that MPIs will evolve from pre-existing assets. This is because the cost of retro-fitting a traditional interconnector into a MPI would be prohibitive and could present technology issues. Also, it is not necessarily the case that the routes or capacities of existing interconnectors are beneficial in respect of the siting of wind. However, looking forward, we agree that anticipatory investment could be considered with MPIs, with engineering solutions that would more easily accommodate future expansion being built in from the start. NGV would be unlikely to take forward an AI proposition where there is an acceptable risk for consumers of asset stranding. We think that developers have a role in AI risk management. The extent of AI in MPI, in our view, would be to bridge any time gaps in investment decisions between multiple developers surrounding a complete MPI solution (certainly for the UK aspects).

As MPIs are at an early stage of development we recommend Ofgem keeps its options open on different MPI models. The design of MPIs may well be unique, and for the early stage projects, models bespoke to these actual projects may well be required to get them off the ground.

One example of flexibility to facilitate MPI project development is in grid connection arrangements with the ESO. Existing bilateral connection agreements (BCA) for interconnectors should be capable of adaptation to "MPI" BCAs without having to go through a formal modification application process. Instead, the interconnector party should have the ability to opt for their connection being an MPI connection, to be developed with the ESO through a bilateral agreement to vary ("ATV") process.

*Question 15: Do you agree with this position with regard to ownership structures of MPIs under the current framework?*

NGV agrees with the assessment of the legislative framework that is contained within the consultation document. We note that all of our proposed models for MPIs keep the generation

assets completely separate from the network assets (interconnector or OFTO) of the MPI. Therefore, NGV does not consider that there is an issue in respect of generation unbundling and the generator should be treated in a similar manner to any other generator that is connecting to a network (be it onshore transmission, onshore distribution, or offshore transmission).

As stated above NGV agrees that there is nothing in the Electricity Act that specifically considers MPIs (as they are a relatively new concept) and agrees that for the enduring solution consideration should be given as to whether a separate definition and licence is required for MPIs.

In respect of early MPIs, and in particular the interconnector-led model set out in the consultation, NGV considers that the interconnector definition should be used. It should be noted that at all times, an MPI is capable of acting as an interconnector, but it will not be used to convey wind output in every period (as there will be periods when the wind is not blowing). If it is considered that the requirements of 'wholly or primarily for the purposes of the conveyance of electricity [...] between Great Britain and a place within the jurisdiction of another country or territory' is not met as the MPI will be used to convey generation from the offshore windfarm when the wind is blowing then a Secretary of State exemption should be considered (for early projects). We would note however that a load factor of an offshore wind farm is likely to be around 50%, in which case, for half the time, the asset would be conveying electricity between GB and another country.

Where there are OFTO-led (effectively wind developer led) MPI proposals in the latter stages of development, there should be scope to expedite the delivery of the project through that known and preferred route and then transition towards the interconnector-led model eventually. For example, it may be convenient to continue with an OFTO-led (effectively wind developer-led) model for Line 1 in order to remove process uncertainty during the critical pre-FID stage of development but provide for the transfer of ownership arrangements for Line 1 from OFTO to Interconnector-led prior to commencement of commercial operations.

*Question 16: What are the commercial, operational and regulatory factors that would drive a developers preference for either the OFTO-led or IC-led MPI model? and do you envisage a different usage of the component assets of an MPI depending on the MPI model?*

There are many different factors that would drive a preference for either the OFTO-led model or the interconnector-led model, and it may be appropriate for both of these models to be available, particularly for early MPIs where some form of regulatory flexibility may be required. NGV considers that the interconnector-led model should be the eventual goal, and if an OFTO-led model has to be used then this should be made to evolve (perhaps by transitional arrangements in licences) to an interconnector model (as described above).

An interconnector-led model would facilitate the optimisation of the wind and cross-border needs by removing interface issues. In an OFTO-led model, cross border sales would be inefficient as capacity would be defined by any prevailing capacity calculation methodology and any faults on the OFTO network would remove the ability for cross-border trade with the interconnector owner having no control over the return to service.

Ultimately, regardless of the model, the assets of the MPI will do the same thing. When the wind blows, the MPI will convey that generation to shore, and any excess capacity of the MPI would be used for cross-border exchange. When the wind isn't blowing, the capacity available for cross-border exchanges will be higher. As stated in the consultation, the model will be driven by the exact design of the MPI and will be impacted by the sequencing of the build. For example there may be existing radial links that could be connected to windfarms in neighbouring countries and in this circumstance



an OFTO-led model may be more appropriate. However, in a project where all the infrastructure is planned to be built at the same time, an interconnector led model may be more appropriate so that all the non-generation assets are covered by the same regulatory arrangements, and there is a single owner of all the network assets.

*Question 17: How would the line to shore (L1) be used in practice and what would you consider to be the primary and secondary activities from a practical perspective? Please provide views for both the IC-led and OFTO-led models, highlighting any differences between L1 usages across the two models.*

The exact configuration of the MPI will determine how the line to shore (L1) will be used in practice. If the capacity of L1 is greater than the capacity of the windfarm then this excess capacity will always be available to convey electricity to or from the neighbouring country (along with any capacity the windfarm doesn't use). If the capacity of L1 is equal to the capacity of the windfarm then there will be some periods when the windfarm uses all the capacity of L1 and there is no cross-border trade. Please also see our answer to Question 16 above.

We also note the difference between physical and commercial flows. Wind generation can physically go to UK but commercial traded flows could be to the connected country. Despite wind output there is always the potential for commercially traded flows to affect use of L1 & L2

In our view, L1 is always potentially available for cross-border trade and we consider that both L1 and L2 can be considered to be an interconnector asset.

We would note however that a load factor of an offshore wind farm is likely to be around 50%, in which case, for half the time, the asset would be conveying electricity between GB and another country.

*Question 18: Are there any barriers within the current frameworks, such as definitions within the CUSC, SQSS or other industry codes, that might prevent the line to shore (L1) being classified as either an OFTO or an interconnector while undertaking other secondary activities?*

We note that the line to shore (L1) needs to have bi-directional power flow control capability which may not be compatible with the requirements for an OFTO.

At a broader level changes, exemptions or derogations to existing methodologies, licences and codes may be required to implement effective arrangements for Early Opportunity projects. Standard Code Governance processes may not be able to assess and deliver the required analysis of changes at the pace that they would be required for the Early Opportunities to proceed to their Final Investment Decisions. Any changes are therefore likely to require dedicated resources and potentially the need for BEIS/Ofgem coordination and leadership.

*Question 19: What are your views on the feasibility of adopting a regime that requires developers to submit evidence to support their licence application (for assets that form part of an MPI) and commit to regular performance reports? Would this be practicable, proportionate, and effective? Are there other options that work well for industry that we could explore further?*

NGV is pleased that Ofgem is considering what flexibility is required in terms of how it regulates assets that form part of an MPI. As stated earlier in this response, MPIs are a new concept that are in the early stages of development and regulatory flexibility may be necessary to get the first-mover projects off the ground and start to deliver the benefits to consumers.

The use of an MPI will depend upon the exact configuration of the particular project. It will depend upon the capacity of L1 and L2, the capacity of wind connected to the MPI and the expected load

factor of that wind. All of this information should be known and available when a licence application is made, and this could be provided to Ofgem alongside any application.

Both L1 and L2 and the commercial and regulatory framework around them need to accommodate bi-directional flows, and this should be taken account of in any proposed solution.

We advocate that, in respect of cost benefit analysis (“CBA”) to support MPI licence applications, a consistent methodology is used as for the Holistic Network Design, and that this methodology should include wider socio-economic welfare benefits and at the same time ensure compatibility with methodologies used by the TSOs and regulators in the proposed connected countries.

*Question 20: What are your views on the practicality of transposing obligations from one licence into another, which obligations would be the most important to incorporate into a remaining licence?*

NGV agrees that Special Licence conditions should be used to include any additional obligations for the ‘secondary activity’ the licensee is performing. As stated elsewhere (and in our response to WS4 of Ofgem’s Interconnector Policy Review) NGV considers that the existing interconnector licence could be appropriately modified to cover the interconnector led MPI model. NGV considers that the existing interconnector licence is much better placed to deliver the requirements of MPIs than the existing OFTO licence.

*Question 21: Do you think the exemption provision with the Act offers any solutions to licencing MPIs within the current framework, even if only a temporary solution until a potential enduring solution is implemented?*

If Ofgem concludes that the existing Electricity Act definitions prohibit the use of either the OFTO licence or the interconnector licence, then NGV considers that the exemption process must be used. NGV suggests that exemptions may be necessary for early projects ahead of an enduring regime being developed and implemented. Exemptions for such early projects would need to cover the lifetime of the assets.

*Question 22: Are there any aspects of the priority dispatch and curtailment arrangements, the TCA, or the cross-border trading arrangements that are adopted in UK that might influence the choice of MPI models?*

NGV considers that, in respect of dispatch and curtailment arrangements, an offshore windfarm should be treated the same if they connect to an MPI or any other part of the offshore transmission network (which can be achieved regardless of whether L1 is treated as an OFTO or an interconnector).

It is clear that the EU’s ‘70% rule’ was never developed with MPIs in mind – it was designed to help maximise the use of point to point interconnectors between EU Member States. The ‘70% rule’ has the potential to restrict the development of MPIs and hence frustrate the delivery of benefits to consumers and the delivery of net zero. NGV considers that, with this in mind, derogations from the 70% rule could be appropriate. As this is an EU requirement then such a derogation would need to be granted by the relevant EU authority and we would be happy to work with Ofgem to identify a route to applying for such a derogation.

NGV understands that there are two different implicit market arrangements that could be applied to MPIs, namely the home market model or the offshore bidding zone model. Whilst the offshore bidding zone may be the more ‘elegant’ solution (as it is built upon implicit allocation, potentially solves the 70% rule highlighted above and could be part of enduring arrangements) it is NGV’s view

that either arrangement could be applied to an MPI (and that a transition from a home market model to offshore bidding zone could occur in the future for assets developed in the Early Opportunities window). This is borne out by the work we are doing developing the detailed commercial and regulatory models for MPIs.

*BEIS Question 1: What do you consider to be the key challenges to the establishment and operation of MPIs in the UK presented by current and proposed regulatory requirements applicable in EU Member States or other countries which MPI projects may connect with, or by the TCA? (eg regarding the efficient operation of MPIs under both the Home Market and Offshore Bidding Zone approaches). Are there further domestic challenges to these possible market design options*

As noted above, any MPI arrangements introduced in the UK must be compatible with arrangements at the other end of the link (which is most likely to be in the EU). We note concerns above about the potential barrier to MPIs caused by the “70% rule” (Regulation on the internal market for electricity (EU) 2019/943) which in our view is an unintended consequence of that rule. We note that the European Commission is a strong advocate of an Offshore Bidding Zone approach for MPIs / hybrid projects, and we do not disagree with that as a long term model for interconnected offshore wind clusters. However in the short term, absent such market arrangements, the “70% rule” does appear to create a blocker to MPI development with EU Member States. Through the TCA and Specialised Committee for Energy we encourage dialogue with the European Commission towards a resolution to the 70% rule as it applies to early MPI projects - either through exemption or otherwise.

We also note that there is a perceived risk that CfD eligibility may be affected if an offshore windfarm connects to an MPI. We recommend that any legal technicalities that are driving this perception are quickly addressed to remove this challenge.

Please contact me if you would like to discuss any aspect of this response.

Yours faithfully

John Greasley

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