8 September 2021

Response of the Essex and Suffolk Coalition of Amenity Groups to Ofgem OTNR consultation

Changes intended to bring about greater coordination in the development of offshore energy networks

The Essex and Suffolk Coalition of Amenity Groups has been actively involved in the offshore planning debate for a decade. We welcome the recognition of many long standing issues in this consultation and also the acceptance of impact on local communities.

Our concerns about the current approach relate primarily to timescale of potential changes to the regulatory and legislative framework. Without timely changes to this framework, essential near and medium term planning decisions cannot be completed or put to good effect. Continuation of the current pattern of radial connection to the nearest location that is convenient for the onshore grid will increasingly determine the design of subsequent development and limit opportunities for effective integration.

Against this background we have sought to provide a constructive response to Ofgem's questions and to highlight the concerns of the many East Anglian communities that could be heavily affected.

Background

The desirability of offshore coordination and of taking a holistic approach to offshore and onshore infrastructure planning was recognised several years before the final report of ITPR in 2015, mentioned in the consultation document. ESCAG, along with amenity groups from other areas and local authority planners, participated in the Offshore Transmission Coordination Project (OTCP). In March 2012 the OTCP open letter identified future challenges, regulatory issues and called for greater integration.

While the scale and speed of offshore development at that time did not encourage collaboration and multiple use of offshore assets, many of the current challenges were foreseen. We note Ofgem's recognition of the failure of the GFAI and WNBI frameworks (para 2.11) but feel there has been ample opportunity to address shortcomings, 'see the bigger picture' and respond accordingly.

Missed opportunities mean there is an urgent need to take a visionary approach and set out a framework that will both incentivise and facilitate progressive completion of an integrated offshore network; a network that will reduce the need for extensive onshore development. We understand why the commercial sector objects to the analogy of an offshore 'ring main' but while this is a simplistic (and technically inaccurate) comparison, it conveys the essential function of what is required.

We have not divided our response according to Early Opportunities and Pathway to 2030 sections as we believe these are artificial concepts. Integration requires a longer perspective so that all those taking a commercial risk can see a clear way forward, even if projects are delayed, as is often the case.

We have not commented on questions that we believe are best answered by commercial and professional respondents.

Response to questions

Question 2 – Sharing anticipatory investment

Significant long term savings are predicted to flow from anticipatory investment in the assets necessary for offshore integration. If consumers benefit from these savings it is reasonable to propose they share investment required to establish the assets. If the developers benefit from them, they should benefit from improved lifetime returns. The issue is therefore apportionment of risk and establishment of an equitable balance.

There is also an element of environmental and socio economic mitigation in offshore integration. A precedent for sharing the cost of mitigation of environmental impacts among consumers has been established via to Willingness to Pay research carried out to finance the VIP project. Similarly, the cost of mitigation could be applied to socio economic impacts.

We suggest that further consultation is urgently required to identify key projects that are necessary for effective integration but financially least attractive for developments. These should receive additional support and where they provide mitigation in terms of reduced impact, support should be weighted accordingly. Overall, we do not believe there is a lack of investment interest. Removal of uncertainty would be an incentive in itself.

Question 8 – Holistic design and a more coordinated, economic and efficient network.

On the East Anglian coast we have yet to see how coordination of in-flight and near term projects can be brought about and what specific benefits would be achieved. Onshore projects outlined in NOA ’21 and subsequently promoted by the TO appear to assume there are few, if any.
ESCAG is aware of proposals made by other amenity groups in East Anglia which include indicative mapping of practical solutions as well as amendments to projects currently seeking a DCO. We believe these suggestions should be given serious consideration.

While it seems self-evident that a holistic design will improve efficiency and provide cost savings in the longer term, in practice this will only happen if there are sufficient incentives to make best use of the design. Financial incentives could be provided through several mechanisms and it seems appropriate that shared offshore infrastructure should be treated differently to generation in order to compensate for temporal differences in monetization. Although not part of this consultation, CfD differentiation would be one way of achieving this aim.

However, such incentives need not be purely financial. An offshore wind farm developer will need to have confidence its connection to a shared offshore hub can be timely and low risk. The developer of the hub will need equal confidence in the offshore generators and in the regulatory mechanisms governing connection.

In this context it will be necessary to move away from the existing design model (para 3.4). The resolution of a generation map at the earliest opportunity is essential, along with the production of a design for network infrastructure. We note the *East Coast Grid Spatial Study* produced for the Crown Estate (April 2021) already contains generation sites and scenarios for grid connections. This design should include onshore transmission. To ensure cumulative impacts are fully understood these designs should be available in outline form at the very least before further DCOs are made. They should also inform NOA ’22.

We agree with the network terms of reference set out in 3.16. Recognition that environmental and community impacts should be considered on equal terms with optimum engineering solutions and economic impacts is welcome.

While we believe it is appropriate the higher level design (HDN) will be provided by the ESO we believe the current structure and remit of the ESO is not fit for this purpose. Although legally separated from the rest of NG it retains a strong commercial bias and to date has demonstrated negativity towards community and environmental interests. Transformation into a visionary organization, perhaps in line with some European bodies, is required.

With regard to onshore detailed design (DND) we have strong reservations concerning delivery by the TO. At the very least we believe this would preclude effective early competition as the design is likely to favour project development by the designer.

We note that delineation between onshore and offshore assets would be established following completion of the HND (3.25). We believe it may be necessary to reconsider and increase alignment of the two licensing regimes as a means of removing obstacles to integration.

Question 9 – planned work for network design offshore

In line with our comments above we are in broad agreement with the planned work for an offshore network design but believe the full design is needed urgently and should include a comprehensive matrix that reduces the need for new landfall on the East Anglian Coast.

For example, *The Offshore Phase 1 Final Report* of December 2020, published by NGESO, has no requirement for onshore lines ATNC and AENC. Government objectives for 40 GW by 2030 increased the required generation off this part of the East coast. Although the reasons for the proposed connections are not defined, these two extra onshore lines are included in NOA ’21 as ‘proceed’ projects and are already being designed by the TO. Alternative configuration is possible under an integrated offshore network. The adoption of a design which includes these lines must be compared against the potential alternatives with regard to cumulative impact at critical locations. These include the Bramford substation. Such impacts cannot receive the consideration they merit within the planning system unless detailed and integrated design of the wider, integrated network is available at an early stage.

Question 10 – undertaking detailed design for offshore assets

Detailed design of a holistic and integrated offshore and onshore network should be carried out by an independent body that is able to work with developers but which has no direct financial return from them. It could, for instance, be a regulation monopoly incentivised by agreed performance standards. As it would own no assets it could focus entirely on design, based on the four network design objectives set out in the consultation (Table 3 and Appendix). Such an organization could be the ESO, subject to the necessary changes.

Question 11 – Developer led model for radial solutions

We hope there will be no further radial solutions on the East Anglian Coast

Question 12 – Delivery options

With regard to the delivery options as set out in table 4, we suggest rapid progress will require a mix of delivery models, dependent on the type of asset being developed. Shared assets may require a new type of OFTO, operating under a new set of codes and in this case option 5 – very early OFTO competition – would apply.

In practice is seem likely that offshore generators will develop the skills and have the experience necessary to become effective OFTO's for shared assets. This suggests a new class of developer might also be considered. The experience of the gas industry may be relevant when devising codes for such a category.

John Foster for the Essex and Suffolk Coalition – 8 September 2021

The Essex and Suffolk Coalition of Amenity Groups includes:

Bury not Blight
Stour Valley Underground
Colne Stour Countryside Association
Dedham Vale Society
CARE Suffolk