

To whom it may concern

11th February 2021

Consultation on Ofgem Forward Work Programme for 2022/23

Transmission Investment, as one of the UK's leading independent transmission companies, welcomes the opportunity to comment on Ofgem's Forward Work Programme for 2022/23.

Transmission Investment manages one of the largest offshore electricity transmission portfolios. Our managed portfolio of Offshore Transmission Owner (OFTO) assets includes the connections to nine offshore wind farms, and we will take over management of further offshore wind connections in 2022 – in total we currently have a portfolio of approximately 3GW and £2.5bn in capital employed. We are one of the largest managers of offshore wind transmission in GB, which is the largest offshore wind market in the world.

Transmission Investment is a strong advocate of introducing competition into the delivery of networks, both onshore and offshore. We continue to support the development of the required arrangements *inter alia* through industry groups, responding to consultations such as these and when required providing evidence to parliament.

Transmission Investment is also leading the development of interconnector projects in support of the UK's Net Zero ambition. One, in partnership with the French national grid company RTE, is a proposed 1400MW HVDC interconnector between France and Britain via Alderney ("the FAB interconnector project"). This project was granted cap & floor regulatory treatment in 2015 and whilst it continues to experience Brexit related delays, it will commence construction as soon as the regulatory process allows. The second is a proposed 700MW link from Scotland to Northern Ireland known as "LirIC", which we intend to put forward for a Cap and Floor decision in Window 3.

We are supportive of Ofgem's forward work programme for 2022/23 which we believe Ofgem is well-placed to deliver and remain at the forefront of regulatory development. One of the areas in which Ofgem has been particularly innovative is in the introduction of competition into the delivery of networks through the offshore transmission regime which is estimated to have saved consumers in excess of £800m¹ from Rounds 1-3 alone.

We support the objective of enabling competition as a priority for protecting consumer interests by driving innovation and lowering costs. We would like to see progress on developing and maturing the frameworks for competitions for onshore network infrastructure and services

The models in use so far are the offshore transmission and pathfinder models, and so there is however much still to be done in this area. As set out in the recent Energy White Paper², competition in networks is still a priority for government, and so the required legislation should be expected, albeit in time. Therefore, we would argue that this should still be a focus for

¹ From "Energy White Paper – Powering Our Net Zero Future, BEIS, 14th December 2020, p 160" based on the lower range of savings from counterfactual #3 in "Evaluation of OFTO Tender Round 2 and 3 Benefits, Final Report, Cambridge Energy Policy Associates for Ofgem, March 2016" with values updated to 2020 prices from 2014/15 prices.

² Energy White Paper – Powering Our Net Zero Future, BEIS, 14th December 2020

Ofgem and we would encourage innovation and sandbox arrangements wherever possible to move these issues forward.

We are pleased that this draft Forward Work Programme for 2022/23 explicitly references developing competition in networks under the Low Carbon Infrastructure. We welcome the three key strategic themes covering Network planning, Network investment and disinvestment, and Enabling new technologies. We believe development of competition in networks warrants a holistic approach. We can see benefit where all policy decisions consider competition so that we develop competition ready frameworks, rather than competition being a later 'bolt-on'. It is evident from the looking at the history in other industries, e.g. telecoms, that incumbents can be highly effective in slowing development of competition. How the onshore and offshore network is planned, how pathfinders and OFTOs develop and the approach to developing the RIIO3 framework will all impact how and when consumers will benefit from the innovation and efficiency that competition brings.

We welcome Ofgem's recognition of the need to adapt and develop its skills and capabilities as the industry evolves. This includes ensuring putting sufficient skilled resources to being vigilant to the threats to emergent competitive markets. Investor confidence requires a level playing field and transparency when competing against well-resourced incumbent monopolies. We would encourage Ofgem to consider the capacity and capabilities it needs to ensure that there is effective separation arrangements to ensure competitions are (and are seen to be) fair, transparent and effective in driving long-term benefits for consumers.

In summary competition requires a market; and market participants would benefit from as much visibility as possible on the regulatory models for competition, project pipeline under each model, and relevant timelines for competitive processes.

Specifically for interconnectors, we would welcome early understanding from Ofgem on the assessment approach to selecting the locations and the qualification and application requirements for the Cap and Floor Window 3.

We would also encourage Ofgem to utilise all possible avenues to move forward on the detailed design of the onshore transmission tendering process. This will necessarily inform the legislation and regulations and would also help mitigate the risk of claims of delaying delivery of infrastructure.

We are fully supportive of your work to develop a vibrant competitive market for infrastructure that supports the achievement of the 40GW by 2030 and Net Zero targets and delivers long-term benefits for consumers.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Mark Fitch', with a long, sweeping underline.

Mark Fitch
Corporate Development and Regulation Manager