

# Consultation



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## Consultation on the proposed works to enable connection of the Inch Cape Offshore Wind Farm

Subject	Details
<b>Publication date:</b>	14 March 2022
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We<sup>1</sup> are consulting on SP Transmission's (SPT's) plans to carry out infrastructure work to enable the connection of the Inch Cape Offshore Wind Farm Project. We would like views from people with an interest in electricity transmission and distribution networks, we would also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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<sup>1</sup> The terms 'we', 'us', 'our' refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

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## Executive summary

The RIIO-ET2 price control runs from 1 April 2021 until 31 March 2026. It includes a range of Uncertainty Mechanisms (UMs) that will allow us to assess further funding during RIIO-ET2 as the need, cost or timing of works becomes clearer. This ensures that consumers fund projects only when there is clear evidence of benefit and we have clarity on likely costs. These mechanisms also ensure that the RIIO-ET2 price control has flexibility to adapt as the pathways to Net Zero become clearer.

Where possible, we have set automatic UMs, such as the Generation and Demand Connection Volume Drivers, which provide Electricity Transmission Owner (ETOs) with immediate funding when they are required to undertake new customer connection works. In other areas, where the degree of uncertainty is too great to allow for an automatic mechanism, we set “re-openers” which will allow us to robustly assess ETO proposals once information with sufficient accuracy is made available.

The Medium Sized Investment Projects (MSIP) re-opener provides ETOs with an annual opportunity to request additional funding for sub-£100m projects, many of which may be critical for achieving Net Zero targets. It was developed to ensure that ETOs are able to undertake necessary investments in the transmission network, funding for which has not been provided in RIIO baseline allowances.

An ETO can submit a request for additional funding via the MSIP re-opener during specific “windows” (each regulatory year between 25 January and 31 January) where it considers a project to be atypical in scope and where the forecast costs are expected to be outside the range for typical projects provided through the Connections Volume Driver mechanisms. Projects that meet the criteria will be eligible for consideration and scrutiny by Ofgem to establish the level of efficient costs to be remunerated.

We have engaged with the ETOs on the potential MSIP projects to be submitted in this first MSIP re-opener window. This document summarises the submission received from SPT for the proposed connection of the Inch Cape Offshore Wind Farm project.

We welcome views from stakeholders on our initial views on the project outlined in Chapters 2 to 5.

## 1. Introduction

### What are we consulting on?

1.1. We are consulting on the needs case, optioneering of the chosen design and timing for the proposed connection of the Inch Cape Offshore Wind Farm project proposed by SP Transmission (SPT) under their Medium Sized Investment Project (MSIP) re-opener submission in January 2022<sup>2</sup>. The MSIP licence condition<sup>3</sup> provides for companies to make reopener submissions during the RIIO-2 price control period for projects that meet certain conditions in their licence. SPT considers that this project meets criteria SpC 3.14.6 (a) of the licence condition.

1.2. In the MSIP re-opener submission, SPT provided Ofgem with evidence of the needs case to enable the connection of the Inch Cape Offshore Wind Farm MSIP project to the Cockenzie 275kV Substation by October 2023. Providing the timely connection of low carbon generation, in this case offshore wind, will contribute to reaching legislated net zero targets and is aligned with SPT's RIIO-T2 strategic goals.

1.3. A Bilateral Connection Agreement is in place for the proposed development between National Grid Electricity System Operator (NGESO<sup>4</sup>) and the developer, with a corresponding Transmission Owner Construction Agreement in place between NGESO and SPT.

1.4. In line with the provisions set out in paragraph 3.4 of the RIIO-2 Re-opener Guidance and Application Requirements Document<sup>5</sup>, SPT have presented a case for dividing their MSIP application into two stages and has provided a justification for not providing all of the required information for cost details now.

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<sup>2</sup> Referred to as Inch Cape Offshore Wind Farm MSIP project for the remainder of the document.

<sup>3</sup> [Statutory consultation on modifications to the RIIO-2 Transmission, Gas Distribution and Electricity System Operator licence conditions | Ofgem](#)

<sup>4</sup> On 1 April 2019, the ESO became a legally separate function within National Grid plc and is distinct from the company which operates and owns the transmission network in England and Wales (National Grid Electricity Transmission). The key role of the NGESO is to ensure that the national electricity transmission system is operated in a secure, reliable and economically efficient way. It does this by performing real-time system balancing and managing operational challenges through the procurement of market services. NGESO is also the contractual interface with users of the transmission system.

<sup>5</sup> RIIO-2 Re-opener Guidance and Application Requirements Document:

<https://www.ofgem.gov.uk/sites/default/files/2022-02/Re-opener%20Guidance%20And%20Application%20Requirements%20Document%20Version%202.pdf>

## Two-stage MSIP submission process

1.5. The ETOs have a duty to provide connection to users and to develop and maintain an efficient, co-ordinated and economical transmission network. Therefore, it is for an ETO to decide when it is the right time to initiate a new project that may be needed during the RIIO-ET2 price control period.

1.6. Transmission projects can contain works that are dependent on factors outside the direct control of the ETOs, including the impact on customer-driven requirements, or involve issues where project timescales do not necessarily align with the rigid regulatory structure (e.g. the fixed submission window of the MSIP submission framework). These factors create a potential problem where a lack of firm information can have a disproportionate impact on the development of activity and adversely impact work deemed necessary to deliver a connection in a timely manner. Delays to the works to progress connection of low carbon generation, which would contribute towards meeting the Net Zero target, may lead to additional costs for GB consumers.

1.7. The MSIP arrangements<sup>6</sup> have been designed to allow ETOs to seek an Agreement in Principle of investment need and preferred design solution from us when sufficient information is available about the drivers for the work, the optioneering of the chosen design and the proposed timing of delivery for qualifying projects. The arrangements enable us to apply proportionate scrutiny, on a case-by-case basis, to our assessment of connection works proposed by the ETOs. This helps to manage uncertainty and helps ensure the timely and efficient progress of preparatory works. We consider it is in the interests of existing and future consumers to ensure that the scope of MSIP projects, reflecting the specific circumstances of each case, are justified and can be progressed at the most appropriate time.

1.8. Our position relating to the efficient costs of the project is tentative at this stage. We expect unit costs and volume details to form a key part of the second stage submission in January 2023.

1.9. SPT also provided Ofgem with information to justify their proposed option for meeting the needs case and the optioneering for the proposed project.

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<sup>6</sup> Further details can be found in the MSIP licence condition ([Statutory consultation on modifications to the RIIO-2 Transmission, Gas Distribution and Electricity System Operator licence conditions | Ofgem](#)) and in Final Determinations ([RIIO-2 Final Determinations - Core Document \(REVISED\) \(ofgem.gov.uk\)](#))

1.10. This consultation sets out our minded-to position on the following areas of the Inch Cape Offshore Wind Farm MSIP project:

- the needs case,
- the alternative options and the selection of the proposed project.

1.11. In the following Chapters we set out the assessment of the MSIP application in more detail and our minded-to view based on the evidence submitted by SPT to date.

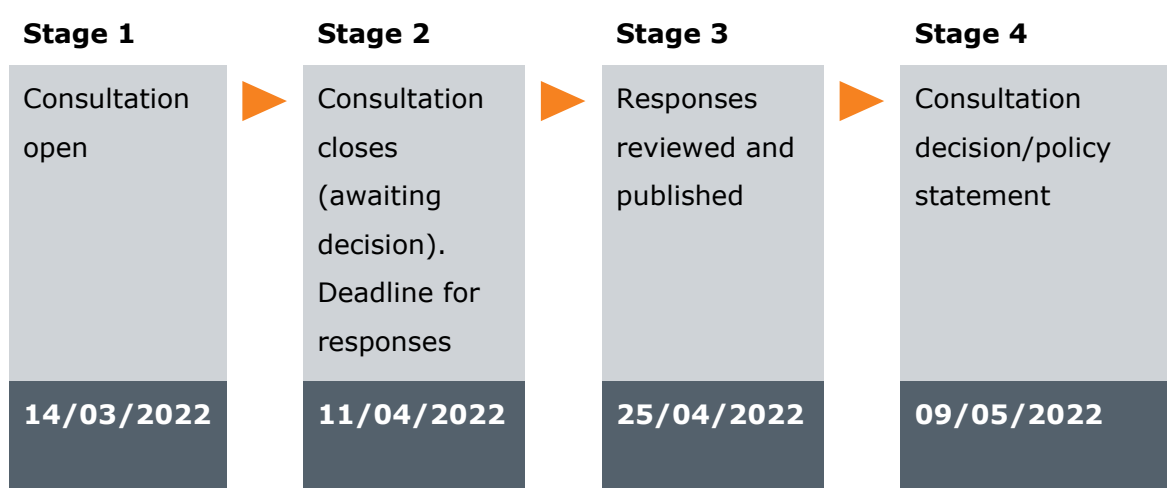
## Context and related publications

1.12. The scope of this consultation is limited to SPT's Inch Cape Offshore Wind Farm MSIP project. Additional information on this MSIP project can be found in Inch Cape Offshore Wind Farm MSIP re-opener application document<sup>7</sup>.

## Consultation stages

1.13. This consultation will open on 14 March 2022 and close on 11 April 2022. We will review and publish the responses 14 days after the consultation closes. We will endeavour to publish our decision by 9 May 2022.

**Figure 1: Consultation stages**



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<sup>7</sup> [2022-01-31 Inch Cape MSIP Reopener - Final Published.pdf \(spenergynetworks.co.uk\)](#)



## How to respond

1.14. We want to hear from anyone interested in this consultation. Please send your response to [Eliska.antosova@ofgem.gov.uk](mailto:Eliska.antosova@ofgem.gov.uk).

1.15. We've asked for your feedback in relation to each of the questions in Chapters 2–5. Please respond to each one as fully as you can.

1.16. We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations).

## Your response, data and confidentiality

1.17. You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

1.18. If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

1.19. If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

1.20. If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

## General feedback

1.21. We believe that consultation is at the heart of good policy development. We welcome any comments about how we have run this consultation. We would also like to get your answers to these questions:

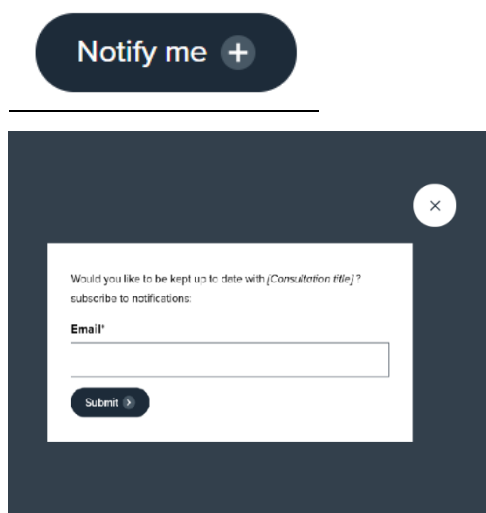
1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk).

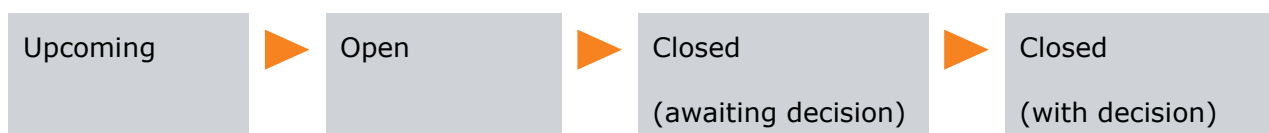
## How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

[Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations).



Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:



## 2. Assessment against Re-opener Requirements

### Section summary

In this section, we detail Ofgem’s assessment of SPT’s application against the Re-opener application requirements in the licence and the Re-opener Guidance and Application Requirements Document. (See Table 1 below).

**Table 1: Re-opener application requirements**

Document	Requirement	Has the requirement been met?
RIIO-2 Re-opener Guidance and Applications Requirements 3.3	To include a table that maps out which sections of the application relate to individual requirements as set out in the relevant Re-opener licence condition and Chapter 3 of RIIO-2 Re-opener Guidance and Applications Requirements.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.4	To provide a justification for not providing all of the required information.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.8	To include a needs case whether or not this is a specified requirement of the relevant Re-opener licence condition or Re-opener Guidance.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.9	The needs case must contain the alignment with overall business strategy and commitments.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.10	To include a clear statement of how the proposed expenditure aligns with the licensee’s future business	Yes

	strategy, including consideration of how it relates to the licensee's RIIO-2 licence or other statutory obligations and, if relevant, its RIIO-3 business plan.	
RIIO-2 Re-opener Guidance and Applications Requirements 3.11	To include a clear statement as to the need for the proposed expenditure or the problem the licensee is trying to address in the context of its significance for consumers and network assets. The affected consumers / assets must be identified and the associated risk being addressed quantified, where possible.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.12	To provide the rationale for the level of expenditure proposed and why this level should be regarded as being efficient.	Cost information will be part of the stage two submission in January 2023.
RIIO-2 Re-opener Guidance and Applications Requirements 3.13	To include a clear description of the long and short list of options considered and the selection process undertaken to reach the preferred option.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.14	To include a clear description of the preferred option, sufficient to allow us to make an informed decision on if the preferred option is suitable.	Yes

RIIO-2 Re-opener Guidance and Applications Requirements 3.15	To include a clear statement as to any project delivery and monitoring plan for the preferred option.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.16, 3.17	To include an explanation of how stakeholder engagement contributed to the identification and design of the preferred option. S stakeholder engagement may not be necessary where there is not a material impact on stakeholders, or where the application is driven by statutory obligations.	Yes
RIIO-2 Re-opener Guidance and Applications Requirements 3.19, 3.20	To provide sufficient cost information.	Cost information will be part of the stage two submission in January 2023.
RIIO-2 Re-opener Guidance and Applications Requirements 3.21, 3.22	Cost Benefit Analysis and Engineering Justifications Papers are important sources of evidence that can be included in an application.	Yes
Special Condition 3.14, paragraph 6a <sup>8</sup> and 6c	Projects qualify for submission via the MSIP re-opener where the activities:  (a) are expected to generate a level of allowance through the volume driver mechanism that diverges from the current level of	Yes

<sup>8</sup> More details are available in the RIIO-ET2 "ET Annex" Final Determinations document, paragraphs 4.19 and 4.20. See link: [RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#)

	expected costs beyond the defined tolerance range <sup>9</sup> stated.	
Special Condition 3.14, paragraph 9.	Includes a statement setting out what MSIP the application relates to.	Yes
	To give details of the associated amendments to the outputs, delivery dates or allowances and an explanation of the basis of the calculation for any amendments requested to allowances.	A further submission will be made detailing the requested amendments to the outputs, delivery date and allowances to be detailed as a Price Control Deliverable in SpC 3.14 Appendix 1.
	To provide such detailed supporting evidence as is reasonable in the circumstances to justify the technical need including cost benefit analysis, impact assessments, risk mitigation, and engineering justification.	Yes (technical need and engineering justification).  As noted above, detailed information on costs and risk, and associated cost benefit analysis, will be provided as a further submission.
Special Condition 9.4, paragraph 3.	To prepare applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.	Yes

<sup>9</sup> In accordance with SpC 3.14.6: "The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix1 in relation to one or more of the following activities: (a) a Generation Connection project, including all infrastructure related to that project, the forecast costs of which are at least £4.24m more or less than the level that could be provided for under Special Condition 3.11 (Generation Connections volume driver)"

2.1. Ofgem has deemed that the submission from SPT has met the necessary requirements set out in both the applicable Special Licence conditions and the detailed Re-opener application criteria set out in the RIIIO-2 Re-opener Guidance as listed in the Table above.

2.2. In the following Chapters we set out the assessment of the MSIP application in more detail and our minded-to view based on the evidence submitted by SPT.

### 3. Needs case for the proposed project

#### Section summary

In this section, we detail the main issues that form the needs case driving the Inch Cape Offshore Wind Farm MSIP project.

#### **Consultation Question 1: Do you agree with our view on the needs case for the Inch Cape Offshore Wind Farm MSIP project?**

3.1. Inch Cape Offshore Wind Farm will be located approximately 15 to 22 kilometres (km) to the east of the Angus coastline off Scotland. It comprises of 213 wind turbine generators with a current Connection Entry Capacity of 1080MW.

3.2. An application for connection in respect of the proposed Inch Cape Offshore Wind Farm was first received in 2011. The application went through the Connection and Infrastructure Options Note (CION) process<sup>10</sup>, where the outcome of the report recommended a connection at Cuckenzie 275kV Substation. The developer requested two bays or interface points to the onshore network for connection by October 2023.

3.3. Due to Seagreen (another generation customer) now contracted to connect at Cuckenzie 275kV Substation, the two available bays identified for Inch Cape result in cable crossings<sup>11</sup> at the site. To alleviate this, with the agreement of both developers, SPT intend to coordinate and swap bays within the substation.

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<sup>10</sup> The ESO and onshore ETOs have a statutory licence obligation as contained in section 9 of the Electricity Act 1989 (as amended by the Utilities Act 2000) to develop and maintain an efficient, co-ordinated and economical system of electricity transmission and this is reflected in the specific requirement of the transmission licences (standard condition C8). In the context of the onshore ETOs and ESO delivering connections, STCP 18-1 and the CION process within it is the "tool" used by those parties to identify and record the connection options considered and the overall economic and efficient connection option.

The CION is a document that records the output of the work between the Developers, ETOs and ESO to identify the most economic and efficient connection option, measured in terms of the overall benefit for the GB consumer. The selection not only looks at the most economic option from the CBA exercise but also considers the following criteria: environmental impact, deliverability, time of market, technology risk, PCI status, planning and consenting risk and other criteria which deemed relevant to the project during the selection. The CION will continue to be revised until there is no further enhancement of benefit to the GB consumer.

<sup>11</sup> Cable crossing would negatively impact on the cost and risk associated with the onshore aspects of the offshore developments. This includes the effects of heat and possible magnetic field interaction between the cables that may affect how they operate. Cable crossing also involves maintenance issues. If failure occurs on either one of the



3.4. A connection agreement is currently in place for both proposed developers, Inch Cape and Seagreen, with the ESO.

3.5. We are aware of two possible risks associated with the project, which if realised, could impact upon the needs case and project delivery plan. These are:

- the developer has secured Planning Permission in Principle only for the onshore aspects of the offshore transmission development (assets which will ultimately form part of an Offshore Transmission Owner system), and
- the development has not yet secured a Contracts for Difference<sup>12</sup> (CfD) and the results of the Allocation Round 4<sup>13</sup> are expected to be announced in spring or summer 2022.

3.6. We have considered whether these risks present a robust reason to delay assessment of the needs case and the selection of the proposed project, i.e. whether it is more practical to delay assessment until all appropriate information is available and whether it has led to any detriment for existing and future consumers.

3.7. In this case we consider there is no evidence suggesting that consideration of the MSIP application is unreasonable. However, any approval of the MSIP project is subject to receipt of appropriate evidence regarding the project delivery and the associated costs.

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cables, both of them would have to be replaced. Therefore, it is a good practice to avoid cable crossings whenever possible.

<sup>12</sup> The Contracts for Difference (CfD) scheme is the government's main mechanism for supporting low-carbon electricity generation. CfDs incentivise investment in renewable energy by providing developers of projects with high upfront costs and long lifetimes with direct protection from volatile wholesale prices, and they protect consumers from paying increased support costs when electricity prices are high. ([Contracts for Difference - GOV.UK](#) [www.gov.uk](http://www.gov.uk))

<sup>13</sup> More information can be found at [CfD Allocation Round 4](#).

## Our initial view of needs case

3.8. Our initial view is that the needs case put forward by SPT is valid.

3.9. This position is supported by the following reasons:

- SPT is required to provide a connection for Inch Cape in accordance with the statutory and regulatory requirements<sup>14</sup> under the terms of SPT's licence, including Licence Condition D4A<sup>15</sup>, which requires SPT to offer to enter into an agreement with the ESO upon receipt of an application for connection.
- ESO studies support the proposed connection to the Cockenzie 275kV Substation as the optimal site.
- The proposed connection of low carbon generation supports legislated Net Zero targets.

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<sup>14</sup> Statutory duties under section 9(2) of the [Electricity Act 1989 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

<sup>15</sup> [Electricity Transmission Standard Licence Conditions 24 07 2021 \(ofgem.gov.uk\)](https://www.ofgem.gov.uk)

## 4. Assessment of options and justification for the proposed project

### Section summary

We examine all the alternative solutions considered by SPT from a technical viewpoint. We analyse the relative costs of these options and discuss our minded-to view of their proposed solution.

**Consultation Question 2: Do you agree with our technical assessment of the range of solutions to meet the needs case?**

**Consultation Question 3: Do you agree with our minded-to view of the solution proposed by SPT?**

### Cockenzie substation layout

4.1. Cockenzie 275kV Substation is an indoor substation utilising Air Insulated Switchgear (AIS) in a “breaker and a half”<sup>16</sup> configuration. The 275kV equipment is installed across three levels within the substation building: ground level; a 9.3m level; and a 15.7m level.

4.2. Due to the closure of Cockenzie Power Station and its disconnection on 20 June 2016, four former bays dedicated to Cockenzie Power Station were made redundant. Since the decommissioning of the power station, two of the four bays have been rationalised. Currently it is planned to connect Inch Cape via two circuits to Bays 2 and 5, previously used for the power station. See figure 2 in appendices.

4.3. Since the initial Inch Cape offer was made and agreed, another generator has been contracted to connect into Cockenzie Bay 3, in between to two Inchcape circuits. Currently the Seagreen 1A 275kV cable must cross one of the Inch Cape 275kV cables to reach Cockenzie Bay 3.

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<sup>16</sup> This arrangement derives its name from the use of three circuit breakers to control two circuits. It combines the flexibility of a double busbar arrangement with that of the security of a mesh. It is clear that this arrangement is more expensive than a double busbar but the difference is offset when compared to a double busbar with couplers.

4.4. To avoid the cable crossing and the associated works, SPT's MSIP submission proposes to swap the Bay 3 and Bay 2 connections within Cockenzie 275kV Substation, or in another words swap Inchcape 1 circuit with the Seagreen circuit point of connection.

## **Engineering assessment of the range of solutions**

### **Siting of the connection for Inch Cape Wind Farm**

4.5. This connection was considered via the CION process. This process, which is conducted by the ESO, provides a record of the rationale for the selection of the overall preferred connection option.

4.6. Several entry points were considered. These included: Arbroath, Tealing, Branxton, Cockenzie, Torness, Crystal Rig and Blyth. The resultant report identified a connection at Cockenzie as the most economic and efficient solution.

4.7. We consider the ESO's report<sup>17</sup> to be well evidenced and are minded to accept its conclusions.

4.8. Based on the information available, we are minded to accept the outcome of the ESO's report.

### **Options for accommodating the proposed connection at Cockenzie 275kV substation**

4.9. To address the needs case drivers discussed in the previous chapter (connection of low carbon generation to reach legislated net zero targets and meeting licence obligations), SPT has considered the following three options:

- Do Nothing or Delay
- Population of the Spare Bay at Cockenzie substation
- Repurpose Former Cockenzie Power Station Bays (SPT's preferred option).

4.10. We have undertaken a technical review of the solutions considered by SPT. The materials we reviewed comprised SPT's pre-engagement presentation materials, their initial submission under the MSIP re-opener licence condition and responses to supplementary questions.

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<sup>17</sup> Connection and Infrastructure Options Note is confidential.

### **OPTION 1: Do Nothing or Delay**

4.11. SPT rejected this option because it does not comply with SPT's various statutory duties<sup>18</sup> and licence obligations. This includes Licence Condition D4A, which requires SPT to offer to enter into an agreement with the ESO upon receipt of an application for connection, or for modification to an existing connection.

### **OPTION 2: Population of the Spare Bay at Cockenzie substation**

4.12. This solution would involve the population of the spare bay at Cockenzie 275kV Substation in a full 'breaker and a half' configuration.

4.13. SPT rejected this option because this solution does not offer a lower cost option (capital costs for this alternative are higher relative to the preferred solution). This solution requires the extension of the substation building and associated planning activities and construction works.

### **OPTION 3: Repurpose Former Cockenzie Power Station Bays (proposed option)**

4.14. This option was selected because repurposing former power station bays at Cockenzie power station provides the most economical solution. The evidence provided in support of this was lower capital costs (proposed option offers capital costs lower by £0.42m in comparison with population of the Spare Bay<sup>19</sup>), minimised scope of SPT works and no associated planning consents required<sup>20</sup>.

### **Ofgem's view of the potential solutions**

4.15. Having considered the range of solutions presented by SPT, we are satisfied that they have considered an appropriate set of options to address the needs case.

4.16. We note that the connection of Inch Cape Offshore Wind Farm at SPT's Cockenzie 275kV Substation was recommended following a CION process and was identified as the most

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<sup>18</sup> Statutory duties under section 9(2) of the [Electricity Act 1989 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/1989/29/section/9)

<sup>19</sup> Further details can be found in Section 5 of the MSIP Re-Opener Application ([2022-01-31 Inch Cape MSIP Reopener - Final Published.pdf \(spenergynetworks.co.uk\)](https://www.spenetworks.co.uk/2022-01-31-Inch-Cape-MSIP-Reopener-Final-Published.pdf))

<sup>20</sup> Further details can be found in MSIP Re-Opener Application here [2022-01-31 Inch Cape MSIP Reopener - Final Published.pdf \(spenergynetworks.co.uk\)](https://www.spenetworks.co.uk/2022-01-31-Inch-Cape-MSIP-Reopener-Final-Published.pdf)

cost-effective connection point on a whole systems basis. The CION considered the high-level offshore network design and onshore infrastructure works necessary to accommodate the proposed Inch Cape Offshore Wind Farm at alternative locations in the SHET, SPT and NGET areas.

## **Our minded-to view of the proposed project**

4.17. From our review of the proposed solutions, we concluded that the two suggested options considered are both technically feasible. However, our minded-to view is that the preferred option, repurposing former Cockenzie power station bays (option 3), represents the optimal solution. There are a range of benefits that the option brings:

- It provides a more economical solution than the alternative option with lower capital cost.
- It minimises the scope of SPT works by re-using two existing bays, thus avoiding the requirement to extend the 275kV building and divert substation access roads.
- It provides reduced technical risk and there is no planning or associated planning consent requirements because the works are within the existing substation boundary.

## 5. Cost assessment of the proposed project

### Section summary

This section sets out our initial tentative assessment of the submitted costs of the proposed Inch Cape Offshore Wind Farm MSIP project.

5.1. In line with the provisions set out in paragraph 3.4 of the RIIO-2 Re-opener Guidance and Application Requirements Document<sup>21</sup>, SPT have presented a case for dividing their MSIP application into two stages.

5.2. We agree that a two-stage approach is appropriate in this case as it will alleviate delays to the works to progress connection of low carbon generation, helps to manage uncertainty and ensures the timely and efficient progress of preparatory works. We consider it is in the interests of existing and future consumers to ensure that the scope of MSIP projects, reflecting the specific circumstances of each case, are justified and can be progressed at the most appropriate time.

5.3. A final submission will be made in January 2023 requesting that the project is added to the outputs, delivery date and allowances set out in Appendix 1 to Special Conditions 3.14 of SPT's T2 Electricity Transmission Licence.

5.4. SPT's indicative view of potential direct capital expenditure for the Inch Cape Wind Farm MSIP project in RIIO-2 is set out in Section 7 of the Stage 1 MSIP Re-Opener Application. These estimated costs have been informed by SPT's Manual of Standard Costs. The Manual is regularly updated with changing market conditions and enables appropriate estimates of the likely capital costs at an early stage of the project.

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<sup>21</sup> RIIO-2 Re-opener Guidance and Application Requirements Document:  
<https://www.ofgem.gov.uk/sites/default/files/2022-02/Re-opener%20Guidance%20And%20Application%20Requirements%20Document%20Version%202.pdf>

## **Risk and contingency**

5.5. Risks costs will be included in the MSIP Stage 2 submission in January 2023. Project risks will be logged within the Risk Register to manage the risks throughout the course of the project. Risk values will be presented highlighting the likelihood and impact on the progression of the project and its completion.

5.6. Main risks categories include:

- Asbestos – presumed asbestos containing materials (ACMs).
- Civil works – the condition of the existing substation bays and related assets.

## **Land costs**

5.7. Connection of Inch Cape Offshore Wind Farm does not require any planning permission by SPT at Cockenzie substation as the works are within the existing 275kV site.

5.8. The developer has secured Planning Permission in Principle only for the onshore aspects of the offshore transmission development and has signed an associated land agreement with East Lothian Council.

## **Our minded-to position**

We have considered whether the above factors present a robust reason to delay assessment of the needs case and design, i.e. whether it is more practical to delay assessment until all appropriate information is available and whether it has led to any detriment for GB consumers. In this case we consider that there is no evidence that considering the MSIP application is unreasonable. However, any approval of the MSIP project is subject to receipt of appropriate evidence regarding project delivery and the associated costs.



## 6. Next Steps

6.1. We welcome your responses to this consultation, both generally, and in particular on the specific questions in Chapters 2, 3, 4 and 5. Please send your response to: [Eliska.antosova@ofgem.gov.uk](mailto:Eliska.antosova@ofgem.gov.uk). The deadline for response is 11 April 2022.

6.2. We will conclude our first stage assessment of SPT's **Inch Cape Offshore Wind Farm MSIP project** with a provisional decision in May 2022. If our minded to view does not change through the consultation and MSIP assessment processes, our provisional decision will confirm our provisional view that SPT should be funded for the efficient delivery of **Inch Cape Offshore Wind Farm MSIP project**, subject to receipt of appropriate evidence regarding the project delivery and the associated costs.

6.3. Once a final submission including cost details is submitted in January 2023, we will seek to establish the efficiency of the proposed costs. Our approach to assessing network company costs relies on a combination of bespoke review and comparison across the companies, as appropriate to the nature of the cost.

6.4. We will also consider changes in the connection scope or capital expenditure programme where this may have an impact on the needs cases and optioneering.

6.5. In the event that we were to decide that SPT should be funded for this connection project, we are minded to categorise as an evaluative Price Control Deliverable (PCD) as we believe there is some flexibility in the manner by which this project can be delivered. Given the potential level of difference in materiality between the delivery modes, we consider it appropriate to protect consumer interests by reviewing the delivery.

6.6. Further work will be necessary to set explicit outputs, delivery dates and the profile of the project allowances for the PCD and to initiate a statutory consultation to make the relevant changes to the licence required.

## Appendices

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## Appendix 1

### Project status and programme

1.1. Currently the Seagreen 1A 275kV cable must cross one of the Inch Cape 275kV cables to reach Cockenzie Bay 3 (see the green line in the Figure 2 below). To avoid this cable crossing, the connections into Bay 2 and Bay 3 within Cockenzie 275kV S/S will be swapped. A Modification Application for this work has been received, with some impact on the scope of work to connect Inch Cape Offshore Wind Farm.

Figure 2: Project Status and Programme

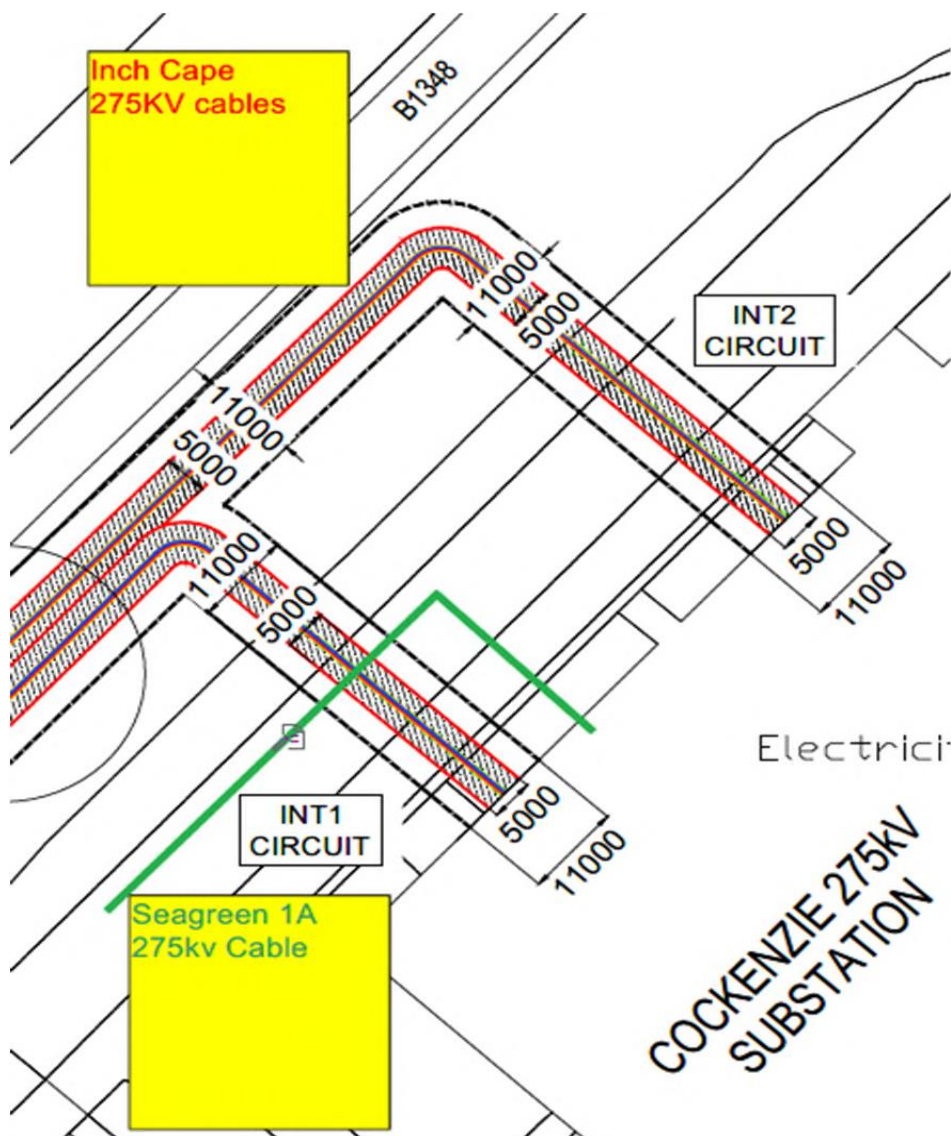
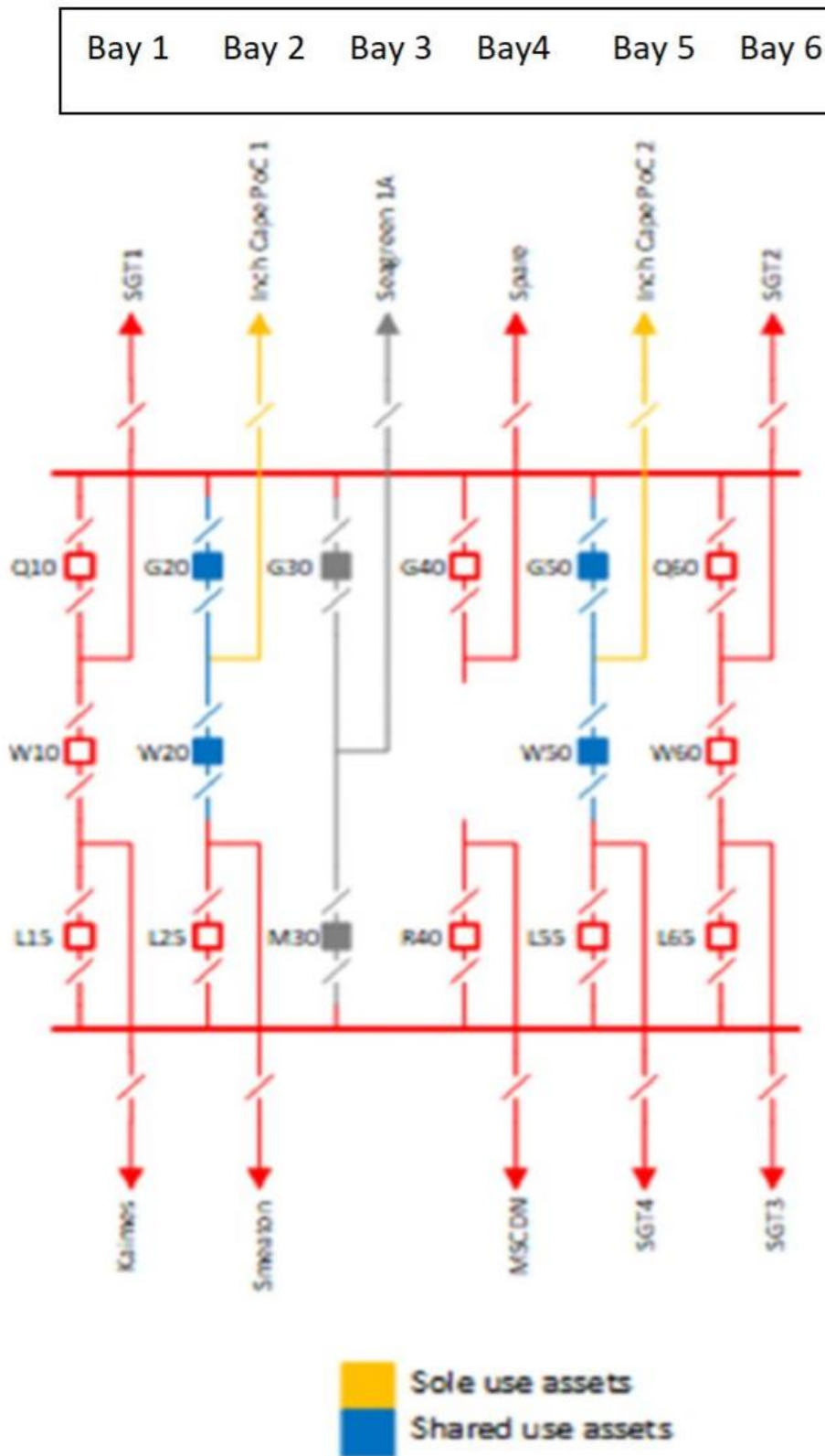


Figure 3: Cockenzie Substation Layout - Single Line Drawing

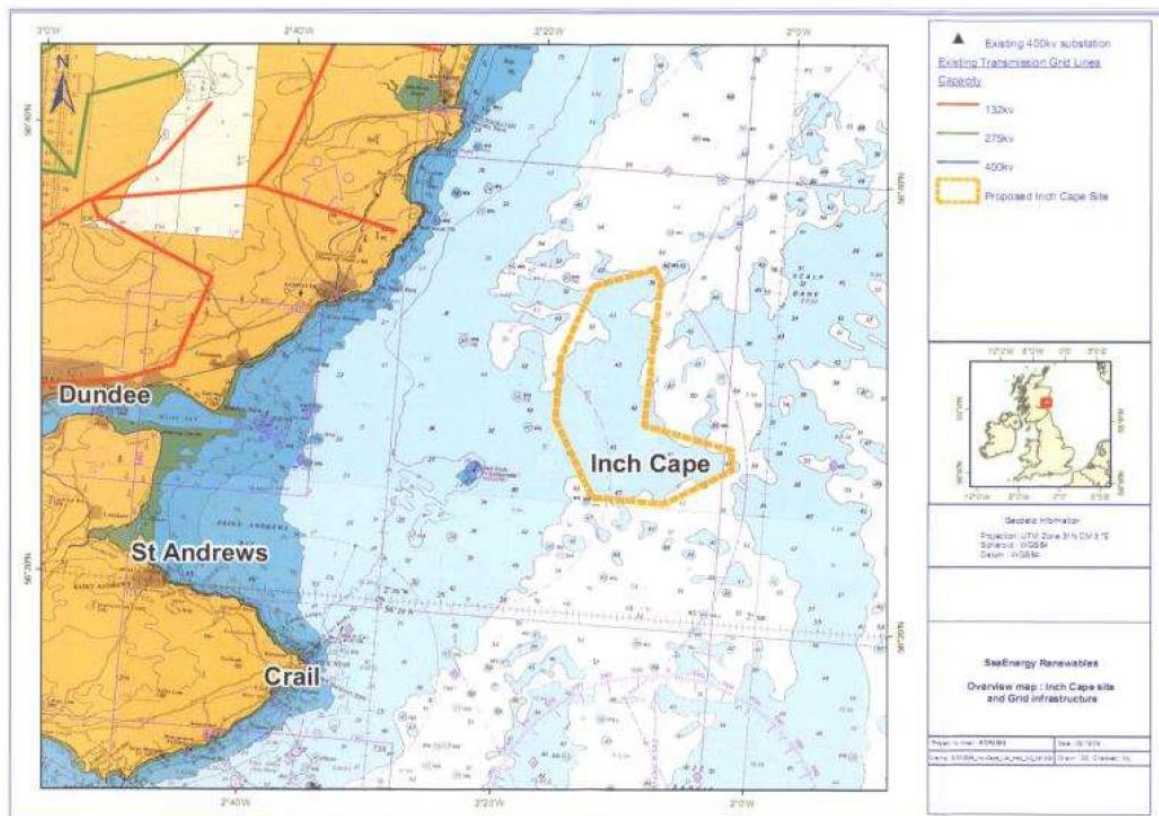


## Appendix 2

### Project location

1.2. Inch Cape Offshore Wind Farm substation will be located between 15 and 22km off the Angus Coast in the East of Scotland.

**Figure 4: Project Location**



## Appendix 3

### Consultation questions

#### **Needs case for the proposed project**

Question 1: Do you agree with our view of the needs case for the Inch Cape Offshore Wind Farm MSIP project?

#### **Assessment of options and justification for the proposed project**

Question 2: Do you agree with our technical assessment of the range of solutions to meet the needs case?

Question 3: Do you agree with our minded-to view of the solution proposed by SPT?

## Appendix 4 – Privacy notice on consultations

### Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

#### 1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at [dpo@ofgem.gov.uk](mailto:dpo@ofgem.gov.uk)

#### 2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

#### 3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

#### 3. With whom we will be sharing your personal data

No external agencies.

#### 4. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the consultation is closed.

#### 5. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data

- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3<sup>rd</sup> parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

**6. Your personal data will not be sent overseas** (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

**7. Your personal data will not be used for any automated decision making.**

**8. Your personal data will be stored in a secure government IT system.**

**9. More information** For more information on how Ofgem processes your data, click on the link to our “[Ofgem privacy promise](#)”.