

## *Morwind*

Morwind Ltd is a South West-based developer of floating offshore wind farms in the south west seas of the UK. It has initiated a 300MW pre-commercial project and a series of larger multi-GW projects. Morwind's philosophy is to develop regional partnerships with both the public and private sectors in order to maximise the potential economic and social benefits from its projects. Morwind is partnered with Corio Generation Limited.

We support a strategic and holistic approach to offshore and onshore transmission network development arising from the growth of offshore wind generation in the South West seas. We also believe that time is of the essence in planning for such developments in order to minimise the risks of congestion and delays in the years to come.

There is significant opportunity for floating offshore wind in the Celtic Sea with low-, medium- and high-level predictions assuming 50 GW, 75 GW and 120 GW of installed FOW capacity by 2050 [*OREC Floating Offshore Wind Constraint Mapping in the Celtic Sea: July 2020*]. The South West seas around South Wales and the South West peninsula are predicted to contribute heavily to these figures. However, in addition to the significant challenges of developing large-scale offshore wind farms safely and competitively, and with due regard to environmental and human interests, the South West peninsula is constrained onshore in notable ways. Firstly, opportunities for cable landfalls are limited by physical geography, sensitive landscapes and, on the English Channel coast by MOD danger areas; secondly there is limited spare capacity on the South West transmission circuit; thirdly there are transmission pinch points beyond the immediate confines of the peninsula between the south west and south Wales and along the south coast north of Southampton.

None of these challenges should inhibit realisation of the opportunity for the south west and for the UK in making full use of the extent of the Exclusive Economic Zone in the South West but they focus attention on the need to take a proactive approach to network development at an early stage. There are examples in other parts of the UK where this has not happened with severe consequential delays on project timelines.

## *The consultation and the Celtic Sea*

The consultation covers OTNR's Early Opportunities workstream – that is in-flight projects that are deliverable by 2030. We note that very few projects in the Celtic Sea have Agreements for Lease and have been through the CION process which are both conditions for this kind of project. Most of the pre-leasing round developer activity in the Celtic Sea is classed as being in the post-2030 Enduring Regime workstream. Any developer spend on offshore transmission network development would fall into the *highly* anticipatory investment category and therefore be excluded from the scope of the consultation.

Developers were introduced to a first tranche of Holistic Network Design for the Celtic Sea in May based on the small number of demonstration projects with Agreements for Lease, speculative projects on the TEC register and the Government's 1GW target for floating offshore wind by 2030. A follow-up process is planned for Spring 2023 to accommodate the rest of the Celtic Sea projects.

However, The Crown Estate has indicated that it will not announce successful bidders of Agreements for Lease in the Celtic Sea until the end of 2023 so there is a potential mismatch in timing.

An ideal strategic approach in the Celtic Sea would be for appropriate public sector bodies including BEIS, Ofgem, the Electricity System Operator and The Crown Estate to determine the broad capacity and location of offshore wind development activity over the next (say) 15 years and for developers to bid within the context of these parameters. This would allow strategic planning and consenting activities to start in 2023 rather than mid-2024. The challenges for developing large-scale offshore wind in the Celtic Sea are as much onshore as they are offshore due to the constraints of the onshore transmission system in South Wales and the south west. Many stakeholders are well aware of the daunting timescales for making changes to the onshore transmission system.

Our responses below look forward to a time in the Celtic Sea when there are developers with Agreements for Lease and firm grid offers which are in a position to start to hold conversations with each other around project design and timetables. As we note below these conversations are sensitive as no developer wishes to cede any more control over key project parameters to third parties than is absolutely essential.

### **Anticipatory investment - consumer sharing**

#### **Question 1: Do you agree that consumers should underwrite the risk of the AI Cost Gap by funding the AI Cost Gap until the later user starts paying TNUoS charges?**

Yes, we believe this proposal benefits both consumers and generators. Projects will have the reassurance required to incur Anticipatory Investment (AI) at an earlier stage in the development process and consumers will benefit through the reduction of demand charges from savings in more efficiently designed transmission infrastructure.

#### **Question 2: Do you agree with the proposal to recover the AI Cost Gap from the later user if the later user connects? If so, do you agree that this should take place over the period of the relevant OFTO licence, starting from the date that the later user starts to pay TNUoS charges?**

We agree with the proposal on recovering the AI cost gap from the later user and that this period should run from the date that the later user connects.

#### **Question 3: Do you agree that, save for any amounts recovered under user commitment arrangements, AI costs should be recovered from consumers if the later user fails to connect?**

Yes, we agree with this approach.

#### **Question 4: Do you agree with our assessment that policy option 3 (Paid by later user) better meets the aims of the Early Opportunities workstream of the OTNR?**

Yes, we agree that this is a reasonable approach although a later user may claim that costs have been incurred inefficiently.

#### **Question 5: Do you have views on the modelled assessment of capital cost savings? Please provide any additional quantitative analysis and any further information.**

No comment.

## **Anticipatory investment – early-stage assessment**

### **Question 6: Do you agree with the introduction of the proposed early-stage assessment process?**

Yes, we agree with the proposal.

### **Question 7: Do you think the information sought as part of the early-stage assessment process is appropriate and proportionate?**

Yes, this seems reasonable.

### **Question 8: Do you have any views on the timing of the early-stage assessment process?**

This must be done very early in the project development process. This is because developers need to evaluate the early-stage assessment process alongside their planning applications, which can then be factored into the project design and CfDs applications.

### **Question 9: Is there any other information which you believe should be included in the confirmation to developers?**

We think that Ofgem should not underestimate the commercial challenges for developers in coordinating their respective projects.

## **Minimising AI risk with user commitment**

### **Question 10: Do you agree with the proposed extension of user commitment arrangements to the potential later user of offshore transmission infrastructure which has been funded by AI?**

Yes, this seems reasonable.

We note that in the case of the Celtic Sea, speculative grid applications are playing a key social purpose by way of informing the OTNR and leasing processes of developer interest and appetite. Until such time as developers have some security through an Agreement for Lease it is not reasonable to expect them to provide user commitments.

### **Question 11: Do you have any views on the manner in which the user commitment should be calculated?**

No comments.