

Doc. no: ODO-CON-LET-000001

By email:
RIIOElectricityTransmission@ofgem.gov.uk

6 September 2022

Dear Sir / Madam

Consultation on accelerating onshore electricity transmission investment

Outer Dowsing Offshore Wind ("ODOW") is a 1.5GW Round 4 offshore wind project that falls within the scope of the Government's Offshore Transmission Network Review (OTNR). The shareholders in the project are TotalEnergies and Corio Generation. We are targeting first operations as early as 2028, helping to meet the Government's 2030 targets for offshore wind at an affordable cost. To achieve this timeline, we are pursuing an accelerated development programme and undertaking substantial work at risk. Certainty on a timely grid connection is, therefore, essential for progress.

We therefore welcome this consultation on how Ofgem can help facilitate accelerate onshore electricity transmission investment for our Project and fully support the identification of the projects listed on page 28 that need to be delivered before 2030, in particular all the projects that have been identified in the NOA Refresh to resolve the current B8 boundary constraint (CGNC, LRN4 and GWNC) in order to expedite connection of offshore wind projects on the East Coast.

Our response to the specific questions raised is included as an Appendix to this letter. We would highlight in particular our concern that the option fees payable by projects within The Crown Estate Offshore Wind Leasing Round 4 should be included within the cost benefit analysis of the proposals.

Yours sincerely,



Graham Meeks
Stakeholder Manager

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Appendix

Ofgem Consultation: Accelerating onshore electricity transmission investment - Response from Outer Dowsing Offshore Wind

8 September 2022

Q1: Do you agree with our criteria for identifying projects in scope for the application of the proposed accelerated delivery framework?

Yes, in broad terms.

With regard to the third criterion ('There is clear evidence that the expected benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment') there needs to be recognition of the considerable uncertainty that exists around both the speed of the potential development process and the assessment of benefits. We therefore consider that the 'clear evidence' threshold is probably too high a bar. The condition should be reduced to require that 'that the benefits might reasonably be expected to exceed the consumer detriment on the basis of the available evidence'.

Q2: Are the 26 projects identified the correct ones to initially focus on?

Yes.

Q3: Do you agree that it is in the consumer interest to consider exempting projects from competition?

Yes. The analysis already undertaken and presented in this consultation indicates a significant consumer benefit from accelerating the project timescale through exempting projects from competition.

Q4: Which of our options for exempting projects from competition do you favour?

Option 2 must be the minimum scope. We consider that there is merit in exempting all 26 projects if the cost benefit analysis of this approach demonstrates a net consumer benefit. However analytical and administrative effort should be directed towards confirming the evidence and finalising the case for exemption for the 20 projects identified.

Q5: Do you agree that without upfront certainty that they will be delivering enough of the investment needed for 2030, TOs will face significant difficulties mobilising the supply chain to deliver the works on time?

Yes. Our understanding is that the supply chain for transmission infrastructure and construction capability is significantly constrained in the European and wider global markets. It is vital that the efforts are made to ensure that GB TOs are in the position to mobilise and secure the necessary supply chain capacity to secure 2030 investment targets.

Q6: Do you agree that it is in consumer interest to consider streamlining our regulatory processes?

Yes. The evidence presented in the consultation points to a significant, positive consumer benefit.

Q7: Which of our options for streamlining our regulatory processes do you favour?

We would tend to favour a combination of Approach 1 and either Approach 3 or Approach 4, with a cap as proposed under Approach 4. We recognise that these bring some elevated risk to consumers as compared with Approach 2, however this risk can be mitigated with the robust measures to protect consumers as proposed in Section 7.

There is a significant risk that under Approach 2 the practical application of the approach would result in a move back towards lengthy, bureaucratic and contestable procedures that would increase development timescales and effectively undermine the objectives of the proposed acceleration policy.

Q8: Do you agree with the costs and benefits methodology we have established?

Yes.

Q9: Do you agree with the conclusions of our cost and benefits analysis?

No. We consider that the proposed analysis is likely to significantly underestimate the potential benefits to consumers. The analysis assesses the benefits solely in terms of constraint costs, when in practice additional costs apply which must be taken into consideration.

In particular the analysis should consider the impact of option fees that are liable for developers holding an Agreement for Lease with The Crown Estate as part of Offshore Wind Leasing Round 4 ("Round 4"). Considering the six projects comprising Round 4 the maximum annual option fees payable would be almost £879M. For Outer Dowsing Offshore Wind the annual option fee would be c.£125M. Each year that the connection of these projects is brought forward would avoid the payment of option fees and therefore generate a corresponding consumer benefit equivalent to the value of the fees due, assuming that generators will pass these costs through via the Contracts for Difference mechanism. Conversely, a year of delay in the connection of these projects would incur additional option fees and increased consumer costs.

Q10: What are your views on introducing a package of regulatory measures which Ofgem may apply to protect consumers?

Overall this is a reasonable approach. The principal objective of the package of regulatory measures should be to maintain the incentive on the TOs to secure timely delivery of projects and hence maximise the benefits for consumers through avoided costs.

Q11: What are your views on the design of each of regulatory measure? (Please clearly reference which measure(s) your comments relate to e.g. Accelerated delivery Output Delivery Incentive, Ex post efficiency review, etc)

We do not have detailed comments in relation to each of the proposed options.

We support the proposal to set clear outputs and delivery dates in licences.

Q12: Do our you think our proposals raise any financeability concerns or create excessive financial risk for the network companies? If so, how could they be addressed?

We have not identified any financeability concerns or aspects of the proposals that we consider would create excessive financial risk.

Q13: Is any further guidance, or additional specific information, needed as part of the TOs' project delivery plans?

As noted in our response to Question 9 we consider it essential that Ofgem should take into account the option fee liabilities associated with Offshore Wind Leasing Round 4 projects in the cost benefit analysis. These fees will have a major impact on consumer costs associated with delayed delivery of transmission works, and also on the consumer benefits associated with accelerated delivery. We would be pleased to provide further details of how these costs will affect developers.

Q14: Are there any additional timetable issues that need to be considered?

No comment.