COPENHAGEN OFFSHORE PARTNERS

Ofgem Minded-to Decision and further consultation on Pathway to 2030

14 July 2022

Dear Cher-Rae Fairlie and Viljami-Yli-Hemminki,

Thank you for the recent update on the Pathway to 2030 workstream and the opportunity to respond to the further consultation on bringing about "greater coordination in the development of offshore energy networks". Copenhagen Infrastructure Partners (CIP) are developing floating offshore wind projects globally. To aid the delivery of these projects, Copenhagen Offshore Partners (COP), who construct offshore wind projects for CIP, have opened a Floating Competence Centre in Edinburgh. Within the UK, we are currently developing two floating offshore wind projects, the 100 MW Pentland project and the 2.6 GW E1E ScotWind project (along with SSE and Marubeni).

As an existing offshore generator owner and developer of next generation floating offshore wind farms, we would like to make the following comments on the approach taken to date, and where we see significant opportunities to progress as an industry towards meeting the climate change targets in an efficient and transparent manner that assures best value for the UK consumer.

We agree with the minded to position, to introduce a late generator build model for delivery of the holistic networks. We feel that coordinated and holistic solutions are best reached through collaborative and collective efforts between all stakeholders, and that the most cost efficient and timely delivery of the works can best be achieved through generator build models.

We note the aspiration to achieve the 2030 targets but also the challenges this creates with regards to delivery timescales. We feel that the ultimate objective of net zero should be kept in mind with a view to the more important 2050 net zero targets. Creating a flexible and agile network design for 2030 would not only allow us to achieve the interim targets but also position national infrastructure well for delivery of the ultimate objective. Too rigid a design or design process, based on a single background scenario, creates both short-term delays in delivery, due to inflexible approach, and long-term inefficiencies in the asset build out due to likely regret costs that would result. As such, we would suggest that the approach of Pathway to 2030 and Enduring Regime is appropriate but that the holistic network solutions need to be transparent and agile to allow for adjustment as and when development dates and TEC are altered.

We would suggest that scenario planning and digital least regrets modelling would provide not only a more informed investment decision but also a more equitable and transparent way to create a coordinated design, allocating TEC to offshore developers and assure that the UK consumer is not holding significant regret cost risk for stranded assets. Such an approach would also allow more qualitative assessments on key constraints such as, supply chain, pipeline deliverability, and environmental impact, within each tranche of offshore development, to assure maximum likelihood of reaching both interim and final climate targets.

Currently we see multiple developer projects in ScotWind tranche 1 which is unlikely to be delivered in parallel within those timescales and little account being taken of global supply chain issues that may drive the order in which the network and each project is built out. This is a result of decisions made at GBSO without sufficient coordination with developers and based on a single set of background assumptions. The assumption of only 1GW in the Celtic Sea is an excellent example of this. This can be fixed through an expansion of the CION process and greater collaboration on a joint investment decision model with clear inputs and assumptions and transparency in the decision-making process.

Response to consultation Questions:

Q1 Do you agree with the findings of the draft impact assessment published alongside this document?

Yes, we agree with the minded-to position for late generator build and draft assessment but disagree with the definition of radial as being tied to a single user.

We feel that it is inaccurate to group radial and number of users in this way. Radial links that accommodate more than one project should still be considered holistic in design and likewise single projects could consider multiple onshore connection points or meshed connections that would accommodate later generation connection or interconnection, or provide onshore bootstrap and international interconnection capabilities.

We feel that a very late approach does not limit innovation, as the developers are best placed to realise innovative solutions and work collaboratively with neighbouring sites to coordinate build out. More established developers also tend to have resources available that have both regulated and non-regulated asset experience and are therefore able to undertake design of future regulated assets in line with industry best practice.

Q2 Where you disagree with the draft impact assessment, does this raise any issues with our minded-to decisions?

This doesn't raise any issues with the minded to decision, however, multiple users on a radial connection will also require certainty on anticipatory investment and TNUoS. Projects developing a radial link could be the first stage supporting subsequent projects. We cannot allow a situation where subsequent projects are stranded due to first stage projects being delayed.

Thought should also be given to loss of infeed risk and the impact of significant lengths of offshore cable on the frequency and likelihood of such events. Shared backfeeds between sites could help to manage this, but regulatory issues surround such solutions, on ownership, cost, metering and grid access. This all needs to be factored into late generator build timescales to ensure investment decisions can be made.

Q3 Do you agree with the proposed introduction of a new Tender Entry Condition in the Tender Regulations requiring the confirmation of the offshore transmission system as 'economic, efficient and coordinated'?

We agree broadly with the approach but note that greater transparency is required on the HND conclusions with regards to gauging a least regrets analysis on design decisions. FEED and detailed design may flag opportunities and risks that challenge the base case HND and there needs to be a collaborative approach and feedback with ESO to discuss and include such data as it becomes available so it can be integrated in subsequent iterations of the HND.

A digital and agile least regrets design analysis would be better here with transparent assumptions and inputs that can be discussed and agreed in an expanded CION process that allows all stakeholders within an area to input into HND updates.

The current approach raises several questions as to the impact on the process, should a developer demonstrate a more economic and efficient solution to that assumed in the HND and what knock on impacts this would have other developments, should the HND change at such a late date.

Similar concerns around the timescales associated with amending the Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2015 (the Tender Regulations). Further clarity is required on the timing of and nature of information required for the gateway assessment process as there could be disconnect between Ofgem's proposed timing and when Developer's require certainty.

Q4 Do you agree with the introduction of the proposed gateway stage assessment process?

We agree with the need to ensure an economic, efficient and coordinated development however we are unclear on what constitutes 'consistent' with the HND. It is likely that developers working together with TOs, OFTOs and ESO could produce solutions inconsistent with the higher level HND conceptual design, as their projects mature, which may be more economically efficient than the HND. There needs to be clarity on the process for all developers involved in an integrated solution and how this factors into future iterations of the HND.

We would suggest also that regulator involvement in this process is beneficial in order to assess the design justification and business case for anticipatory investments. We agree with the proposed gateway assessment process and would encourage Ofgem to give certainty to developers involved, that regulatory approval will be given for anticipatory investments ahead of costs being incurred.

Q5 Do you think the information sought as part of the gateway assessment process is appropriate and proportionate? Is anything missing?

We are concerned that the eligibility is limiting future development beyond ScotWind and LR4, specifically the requirement to be in the scope of the HND. We would urge Ofgem to consider extending the gateway assessment process to any projects being developed in UK waters which meet the second criteria: *the design contributing to the development of an economic, efficient and coordinated system of electricity transmission.* Whilst projects will aspire to have Agreements for Lease with TCE or CES for the transmission assets secured as early as practicable, it should not be a strict requirement for inclusion as part of the gateway assessment process. We would consider that evidenced advanced discussions with TCE or CES should be a sufficient substitute.

We agreed that detailed information on the projects and interaction between developers should be shared as part of the gateway assessment process, however note that this could be problematic due to the commercial sensitivity and competitive nature of the CfD process. We would suggest that using a digital least regrets tool would allow for a range of information to be shared whilst protecting individual project's commercial base case. ESO and Ofgem would play a key part in inputting specifics into that model which would be shared confidentially by each developer. This would ensure a least regrets economic and efficient decision using data analytics and a clear process.

Q6 Do you have any views on the timing of the gateway assessment process?

We suggest Ofgem reconsider the level of detail being requested within the application for the gateway assessment process. Projects will continue to be refined until key contracts are placed post Financial Investment Decision and therefore the requirement for significant levels of project detail no less than twelve months prior to developer's intended date for issuing its final statutory planning consultation does not align with typical consenting timeframes. We agree that the timing of the process is appropriate as it allows developers certainty prior to entering the CfD auction. Our suggestion would be that an iterative process is considered and that Ofgem clearly set out what they define as detailed information.

Q7 Is there any other information which you believe should be included in the confirmation to developers?

We would ask that Ofgem provide clarity on the process for developing an agile design for a holistic network that can accommodate changing connection requirement from each user. For example if an initial project fails to get consent or is delayed due to a legal challenge, how do the remaining project(s) then adopt the first phase transmission works?

Thought should also be given in the process for projects who do not meet grid connection milestone targets and how delivery of phase 1 of holistic works may be passed from developer A to developer B.

Q8 Do you think changes are required to the current process to facilitate a very late competition model for non-radial assets?

We request that Ofgem clarify how availability is managed with multi-terminal HVDC solutions that have a shared control system and we think that changes will be required to facilitate this. Changes will ensure that multiple OFTOs do not end up in a blame game and should minimise disputes, to ensure developers have efficient access to grid.

Q9 Do you think changes are required to the current package of OFTO obligations and incentives due to the introduction of non-radial offshore transmission assets?

Clarity is required on how availability will be managed on multi terminal HVDC systems with multiple OFTOs and users. It is likely that changes will be required to clarify this and how OFTOs will be incentivised to accommodate projects coming online at different timescales.

Q10 Do you think changes are required to other aspects of the OFTO regime, eg asset life or duration of the revenue stream?

Asset life should be planned at the design stage for a 30 – 40 year design life, with account being made for the socialisation of additional costs that extend the life beyond the 25 – 30 year windfarm project. We do not believe the duration of the revenue stream needs amended; the focus should be on how to deal with the socialisation of additional costs. We believe that a holistic network design should be planned to be in place long term and therefore should be designed with sustainability and longevity in mind.

We are aware that the holistic network puts additional pressures on Ofgem and therefore consideration should be given to ensure that it is resourced appropriately to manage the additional workload. Developers need certainty in responses and some risks will need to be taken if a coordinated grid and 2050 targets are to be achieved in parallel.

Best regards,

Alan Hannah
COP Partner and Managing Director UK