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Offshore Transmission Network Review – consultation on Ofgem’s Minded-to Decision and further consultation on Pathway to 2030

We refer to the consultation issued 20th May 2022 and welcome the opportunity to provide a response. Additionally, we appreciate the extension given for providing our response.

Equinor is a global energy company, employing over 650 people in the UK. It is the UK’s largest supplier of crude oil and the largest supplier of natural gas, meeting more than 25% of UK demand. It operates the Mariner oil field and three offshore wind farms including Hywind Scotland, the world’s first floating wind farm. Equinor and partners are building Dogger Bank, the world’s largest offshore wind farm.

Equinor supports Ofgem’s minded-to decision to apply a “very late competition – generator build” model to non-radial offshore transmission systems. We share Ofgem’s assessment that this model is most likely to deliver government’s ambition of 50 GW of offshore wind by 2030 without costly delay.

Equinor believes that developers are well placed to develop and construct a coordinated non-radial offshore transmission system. However, at present, there is a lack of clarity over responsibility for shared infrastructure and how the cost and risk of designing and building these systems is expected to be shared. Collaboration models between developers are yet to be developed but are expected to be complex and time consuming to establish, and it is important that the industry together with the authorities establish workable collaboration models where the construction risk is shared fairly while keeping the anticipatory investment cost risk at a minimum.

For the eastern coast offshore wind developments, we note that the HND proposes a network design with five connections to shore. Assuming these connections are classified as offshore transmission by Ofgem, one possibility could be to appoint each of the five offshore wind projects to be the lead developer for one of these connections each. If this is not feasible, much greater clarity is required on how projects with potentially different project timescales are expected to interact to ensure that connections are delivered in time for first power for the first project. This will also be critical for projects that need to secure project financing. Similarly, further thought is needed around the South West region where only one 1GW onshore connection has been proposed to support up to 4GW of floating capacity.

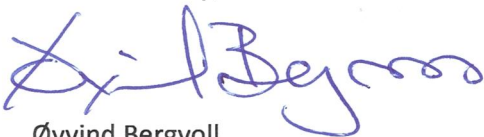
It is important that measures are in place to ensure that one (or more developers) cannot stall progress to gain undue/unfair advantage and thereby reduce the ability for the UK to reach its offshore wind targets by 2030 and beyond. Equinor therefore proposes that Ofgem should establish high-level principles for collaboration between developers. These principles should include requirements for developers to act reasonably and in a timely fashion; propose solutions on risk sharing and Anticipatory Investment benefitting all developers; and respect all developers' schedules.

Similarly, considered thought will need to be given to increased developer collaboration on transmission (particularly around proposed project timings) given competition principles that currently underpin the CfD regime in the UK.

We have in the appendix included our detailed response to the relevant questions.

We would welcome the opportunity to present our response to the consultation in more detail.

Yours sincerely,



Øyvind Bergvoll
Equinor ASA

Appendix: Detailed response to the Consultation Questions

Chapter 3 - Minded-to decision on non-radial assets in scope of Pathway to 2030

Question 1: Do you agree with the findings of the draft impact assessment published alongside this document?

Equinor supports Ofgem’s minded-to decision to apply a “very late competition – generator build” model to non-radial offshore transmission systems. We share Ofgem’s assessment that this model is most likely to deliver government’s ambition of 50 GW of offshore wind by 2030 without costly delay.

The draft impact assessment has in our opinion captured the relevant assumptions, and overall we believe that the impact assessment provides a robust basis for the minded-to decision. However, we would note that the assumption that every entity delivers assets on a similar time frame is likely unrealistic. In addition, the timings assumed for commercial negotiations between developers (6 months) are unrealistic given the complexity of the coordinated designs in the HND and number of parties therefore involved.

Question 2: Where you disagree with the draft impact assessment, does this raise any issues with our minded-to decisions?

No.

Chapter 4 – Pathway to 2030 – Gateway assessment process

Question 3: 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 with and support that it is important that the offshore transmission system is consistent with the HND and as such needs to be economic, efficient, and coordinated. The current Tender Regulations for radial offshore transmission systems do not require the developer, as a Tender Entry Condition, to confirm that the offshore transmission system is “economic and efficient”. We acknowledge that there may be a risk that developers may chose detailed designs which would not lead to the development of an offshore transmission system consistent with the HND. We query though whether the gateway stage assessment process is a better tool to secure this goal than introducing the proposed Tender Entry Condition.

At this stage of the process Ofgem focus should be on ensuring that the proposed design is consistent with the HND. It is neither desirable nor possible for developers to challenge whether the HND is economic, efficient, and coordinated as this work was conducted by the ESO. If a developer proposes an alternative detailed network design (DND) this should be backed by analysis showing that the proposed design is more appropriate than the one set forward in the HND.

Should a Tender Entry Condition as proposed be introduced, to avoid uncertainty it is important that Ofgem clarifies that a radial connection consistent with the HND is “coordinated”.

Question 4: Do you agree with the introduction of the proposed gateway stage assessment process?

Equinor supports the introduction of a gateway stage assessment process. It is important that this process is allowed for and undertaken early enough to incorporate any findings at relevant stages of the development

process. Ofgem “expects developers to make an application no less than 12 months prior to developer’s intended date for issuing its final statutory planning consultation.” It is not clear to us what is meant by “final statutory planning consultation” but assume this refers to final statutory consultation under Section 42 of the Planning Act (2008) for English projects and we ask Ofgem to clarify this, particularly given the different planning regimes in Scottish and English waters (hence applicable across the HND) and how timings for these may differ in relation to wider project development.

In most cases developers will require Ofgem’s acceptance of the DND as early as possible, although proposals may still be subject to further change as a result of responses to ongoing consultation and any process must provide flexibility to account for this. This would support our proposal for a process that isn’t formally mandated and instead offers an opportunity to discuss with Ofgem the proposals as they develop, accounting for changes subject to ongoing project consultation and subsequent change.

It is also important that Ofgem’s decision from this assessment is made in a timely way. We believe that a decision should be made by Ofgem within a fixed deadline not longer than three months after the process has commenced. This will leave the developer with some time to modify its design should Ofgem fail to accept the original proposal.

Question 5: Do you think the information sought as part of the gateway assessment process is appropriate and proportionate? Is anything missing?

It is important that Ofgem acknowledges that the information available to developers will be highly dependent on the timing of the gateway assessment process. As indicated above it is assumed that the gateway assessment process will be conducted prior to the DCO application being submitted (for English projects). At this stage all users and prospective users may not be known, and providing a clear timeline for all relevant projects may not be feasible.

As noted in Q3 a developer cannot be expected to provide a “Detailed description on how the proposed design would contribute to the development of an economic, efficient, and coordinated system of electricity transmission;” This must be the responsibility of ESO and the HND. Ofgem should focus its assessment of whether the proposed DND is consistent with the HND, and this should also be what the developer is asked to provide.

The expected information may in some cases be very commercially sensitive. It is important that Ofgem and other involved parties (like the ESO) in the process have sufficient information security barriers in place to ensure the information is kept confidential.

We would also recommend Ofgem to involve the developer community in establishing detailed guidelines on what information is required.

Question 6: Do you have any views on the timing of the gateway assessment process?

The gateway assessment process needs to be sufficiently early for developers to be able to modify the designs should the Authority not find the proposed designs to deliver a coordinated offshore transmission system consistent with the HND. The Authority’s assessment of if the offshore transmission system is economic and efficient, we expect to be made during the cost assessment process. Please also see our answers to Q3 and Q5.

Question 7: Is there any other information which you believe should be included in the confirmation to developers?

The majority of offshore wind farms in the UK rely on project financing. Given that delivery of the HND recommendations may require significant amounts of anticipatory investment that could, should another project fall away, potentially become redundant in future, it is vital that developers are given the necessary reassurance to pass on to potential financial investors to reassure that these costs eventually will be borne by an OFTO. It is essential that the detail around how the gateway assessment process can provide the necessary reassurance to developers and their potential investors is discussed with industry as the process is further developed.

Chapter 5 – Very Late Competition Model Tender policy

Question 8: Do you think changes are required to the current process to facilitate a very late competition model for non-radial assets?

Some modifications to the details of the Tender Process/Policy should be expected. On an overall level we believe that the stages of the Tender Process model as shown in figure 6 in the consultation document are still valid. We agree with Ofgem that the proposed model may have additional complexities which need to be assessed.

For non-radial assets the generator commissioning clause (GCC) will be a concern as it is likely that the two (or more) projects using the same non-radial assets will be developed over different timescales. We believe that this could be solved by amendments to legislation and/or the tender process. It is also important that the new GCC has flexibility. Possible solutions could include increasing the length of the GCC, give Ofgem power to decide the GCC timeline on a case-by-case basis or amend the legislation to clarify that developer built offshore transmission assets will [legally] be defined as transmission when the OFTO transaction is completed.

It must also be expected that non-radial assets requiring anticipatory investments will introduce new dependencies between developers which needs to be addressed in the process.

Chapter 6 - Policy considerations for implementing non-radial offshore transmission

Question 9: 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?

If non-radial assets are also expected to provide the possibility to bypass transmission boundaries in the onshore grid, we assume that this will require significant modifications to the OFTO licences. If the non-radial assets will serve only to evacuate power from one or more wind farms, we expect that this can be managed with fewer and simpler tweaks to the existing OFTO licence.

The current OFTO regime is based on a radial connection evacuating power from a single wind farm. In the future, for non-radial assets, the complexity will increase. Although we believe that the OFTO availability incentive should be kept at 98% as today, there are uncertainties on how, for instance, the unavailability risk (for maintenance etc.) will be shared between wind farms. The non-radial assets for one wind farm cluster may also vary significantly from other wind farm clusters increasing this uncertainty even further.

Question 10: Do you think changes are required to other aspects of the OFTO regime, eg asset life or duration of the revenue stream?

Yes. In general, offshore wind developers now assume more than 25 years operational lifetime and potential for further extensions to lifetimes as technology continues to improve. The OFTOs' transmission licences and TRS should take account of this. One possibility is for Ofgem on a case-by-case basis to decide the length of the OFTO licence as requested by the offshore wind developer. In addition, different assets connecting at different times could add another 5+years on to this in some areas which needs considering.