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8 June 2022

Dear Patricia,

**Consultation on Offshore Transmission Network Review - Multi-Purpose Interconnectors: Minded-to Decision on interim framework**

Transmission Investment, as one of the UK's leading independent transmission companies manages one of the largest offshore electricity transmission portfolios. We are a strong advocate of introducing competition into the delivery of transmission and we continue to support the development of the required arrangements *inter alia* through industry groups, responding to consultations such as these and providing evidence to Parliament.

Transmission Investment is also leading, in partnership with the French national grid company RTE, the development of a proposed 1400MW HVDC interconnector between France and Britain via Alderney ("the FAB interconnector project") and is also developing alone a 700MW HVDC interconnector between Scotland and Northern Ireland ("the LirIC interconnector").

We welcome Ofgem's consultation setting out the minded to decisions. **The complexity of defining Multi-Purpose Interconnectors (MPI) within the existing legislative framework demonstrates the urgent need for new primary legislation to facilitate the future of coordinated international offshore grids.**

The work being undertaken through the Offshore Transmission Network Review and the Holistic Network Design process is expected to identify opportunities for MPI. Where it is shown to be beneficial to form an MPI, it is essential all the affected parties agree to the commercial and regulatory arrangements, and that the arrangements support the participation of a full range of investors and financial models.

We have structured our response to address each of the minded-to decisions:

**Minded-to decision:** *We will not limit the interim framework to one MPI model. We will be open to applications for both the IC-led model and the OFTO-led model, as well as others that might be in development.*

We agree with Ofgem that at this stage of maturity no model, configuration or combination of purpose for MPIs should be ruled out. The HND coordination work may identify opportunities for MPIs to coordinate offshore wind and provide opportunities to create offshore 'bootstraps' to complement onshore transmission. It will then be through discussions between the relevant parties that workable models will emerge. These will align commercial objectives and delivery timelines and identify practical consequences to be solved within the current legislative and regulatory frameworks.

We foresee that this decision to remain with an opened minded approach, alongside developing market arrangements, may have consequences for other minded-to decisions in this consultation. We would therefore urge Ofgem to remain open to adapting its thinking as models emerge from early adopters.

**Minded-to decision:** *Ofgem will require licence applications for multi-use assets to demonstrate the expected primary or main use of the asset. We recommend, as a minimum, that this includes a simple calculation using the estimated load factor of the connecting OWF and the L1 cable capacity to show how often the asset is expected to be available for cross-border flows compared with OWF output transmission over the lifetime of the asset, which would be monitored by developers and Ofgem on a regular basis.*

We disagree with this approach. In effect, seasonal weather patterns and market prices would determine licence compliance. It is difficult to believe that the intention of the legislation was to work in this way. The uncertainty this proposed decision creates for investors appears inconsistent with the primary statutory duty in the Act to protect consumers interests.

For early adopters, there is a lack of clarity in the market arrangements that apply for interconnectors (and these are unlikely to be clarified in time for investment decisions of early adopter MPIs). Therefore, it may be appropriate to seek to fix the commercial arrangements between the various parties, then apply derogations and exemptions to define an enduring 'primacy' between the purpose and use of the asset. For example, an offshore wind farm has priority access to the link to shore capacity, any other use is secondary (and not its main use) and therefore the licence required is clear and stable. For MPI component assets, which combine international interconnection with offshore bootstrapping, a load-factor approach would also be heavily dependent on weather (as flows onshore and internationally will be dependent on wind and solar) and market price (especially in the case of a move to nodal pricing). A similar priority of purpose would define primacy and shape the regulatory arrangements.

This approach would avoid the uncertainty in future licence compliance from uncontrollable external factors that would harm the bankability of projects.

**Minded-to decision:** *We will introduce a reporting mechanism to monitor the asset use over time to ensure that the asset licence granted remains fit for purpose. We would expect to be a measurement based on the method the applicant has used to demonstrate asset usage in the first place eg OWF load factors and cable capacity.*

*Should asset usage fall out of the parameters agreed at the point of Ofgem granting the licence, we will deal with this on a case-by-case basis to avoid penalising early adopter projects while remaining compliant with our duties under the Act.*

We agree with the principle that early adopter projects should not be penalised where assets are being used differently than the intended purpose.

The approach proposed by Ofgem appears complex, burdensome and generates significant uncertainty in how any holder of such a licence could be compliant with the law following a reported change in utilisation.

Taken as a package of minded-to decisions it appears that the proposed reporting and review of licence type would have no practical effect. It potentially repeats regulatory and legal processes, which is an unpalatable risk for investors in projects, for example, re-applying for exemptions, previously granted by other countries, that may not be agreed in the future. It appears the package of Ofgem proposals would under either form of licence (OFTO or Interconnector), place the same obligations and give the same rights to the holder, regardless of the underlying licence. If the assets are licenced aligned to the intended purpose, have consistent obligations and rights for all the purposes used, so that consumers are protected, the primary duty under the act appears to be fulfilled.

We strongly disagree with the wide discretion proposed for Ofgem to look at each licence review on a case-by-case basis. This is insufficient to allow projects to be bankable. Ofgem need to provide greater definition on the process to trigger a change in licence, how interim compliance is maintained and continued operation permitted, and how additional costs, of undertaking what are in effect nugatory regulatory processes, would be recovered.

**Minded-to decision:** We will introduce changes to the interconnector standard licence conditions so that interconnectors that form part of an MPI are bound by the appropriate obligations in relation to their additional activities. We will introduce changes to the OFTO standard licence conditions so that OFTOs that form part of an MPI are bound by the appropriate obligations in relation to their additional activities. We note that before an OFTO licence is granted, there is a need for the competitive tender process to be undertaken first. We have not considered that in scope of this document.

We agree that addition obligations should be introduced to match the secondary uses. In either case the licence should afford the same rights and obligations as they are carrying out the same activities, aligned to enabling the specific commercial, financing or market arrangement sought by the early adopter MPI.

**Minded-to decision:** We will not be inviting licence applications for pre-existing assets to evolve into MPIs. While we will not be setting out a process for these, in the interests of being open to early innovation at this stage in the OTNR, we will consider such situations on a case-by-case basis.

We will bear in mind our 2015 ITPR conclusions to maintain continuity of regulatory approach for assets that evolve into multi-purpose projects (which include MPIs).

Agree. Existing assets should not be required to be incorporated into an MPI.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Mark', with a long horizontal stroke extending to the right.

**Mark Fitch**  
Corporate Development and Regulation Manager