

## **MINDED-TO DECISION ON ANTICIPATORY INVESTMENT AND IMPLEMENTATION OF POLICY CHANGE**

### **MULTI-PURPOSE INTERCONNECTORS: MINDED-TO DECISION ON INTERIM FRAMEWORK**

#### **Consultation Response**

**Offshore Energies UK** is the leading trade body for the UK's integrating offshore energies industry. Our membership includes over 400 organisations with an interest in offshore oil, gas, carbon capture and storage, hydrogen, and wind. From operators to the supply chain and across the lifecycle from production to decommissioning, they are safely providing cleaner fuel, power, and products to the UK. Working together with our members, we are a driving force supporting the UK in ensuring security of energy supply while helping to meet its net zero ambitions. We work on behalf of the sector and our members to inform understanding with facts, evidence, and data, engage on a range of key issues and support the broader value of this industry in a changing energy landscape.

Our sector is fully aligned with supporting the government's objective to achieve net-zero by 2050, including the Government's Net Zero Strategy, and is already committed to reducing emissions from oil and gas production and in delivering objectives on CCUS and Hydrogen. Many of our members are key investors and developers for current and future offshore wind projects including several successful bids for Scotwind developer licenses. As OEUK we therefore represent a number of offshore generators and potential offshore electricity users.

Overall, we consider that the envisaged changes to the investment framework are likely to be positive and will encourage more efficient and holistic investment opportunities. In particular, Ofgem's minded to decision that some of the risks associated with anticipatory investment should be supported by the generality of consumers is a positive step. Likewise, the more flexible framework put forward for MPIs should encourage a more meshed network by allowing the use of the interconnector licence option.

Clearly several issues remain relating to the evolution of TNUOS charges and delimitation of bidding zones for offshore generation and demand. Wider questions relating to the re-integration of the GB and EU electricity markets also require further attention. OEUK and its members will continue to engage with Ofgem as this process continues.

**OEUK Sustainability  
June 2022**

## RESPONSES TO INDIVIDUAL QUESTIONS AND DECISIONS

### EARLY OPPORTUNITIES AND ANTICIPATORY INVESTMENT

*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?*

We would agree. It could also be clarified how this could work for any offshore demand users, especially if these are newly connected to the network.

*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?*

Yes.

*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. The current regime is a disincentive to optimal network sizing where future investment needs are already apparent. It is appropriate for consumers to underwrite these risks as they are likely to benefit from more rapid connections and lower CfD strike prices.

*Question 4: Do you agree with our assessment that policy option 3 better meets the aims of the Early Opportunities workstream of the OTNR?*

Agree. The “later user” should finance the AI cost gap through TNUOS charges once it connects to the system with consumers covering potential risks.

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

n.a.

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

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

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

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

OEUK would agree with the proposed assessment process. It should also consider potential offshore demand locations.

*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?*

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

Potential later users may also include demand users. This should be clarified.

### **MULTI-PURPOSE INTERCONNECTORS**

*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.*

Agree

*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.*

Agree. We would not expect any demand connection to offshore users (O&G, CCUS) to influence this definition as the offtakes will be relatively small.

*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.*

Agree

*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 would suggest that depending on circumstances, licences may need to accommodate possibility of offshore demand connections.

*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).*

No comments