

Marubeni response to Ofgem’s Minded-to Decision and further consultation on Pathway to 2030. July 2022**Introduction**

Marubeni Corporation (“Marubeni”) appreciates the opportunity to engage with Ofgem’s Offshore Transmission Network Review, to provide its input on the development of offshore wind projects, with the objective of ensuring that these projects can be developed and delivered in an efficient, predictable, and expedient manner.

Marubeni is a conglomerate listed on the Tokyo Stock Exchange with extensive interests in power generation and renewable energy. Marubeni has acquired considerable offshore wind experience since its investment into UK offshore wind in 2011 as a first Japanese Independent Power Producer (IPP) developer. As of June 2022, Marubeni has shares and active participation in approximately 40GW of power generation projects throughout the world.

Marubeni brings sector experience of delivering floating offshore wind, including leading floating offshore wind demonstration projects in Japan with five different floating foundations.

In September 2018, Marubeni announced its commitment to double its renewable energy project share from the current 10% to 20% of total net generating capacity by 2023. Further, in March 2021, Marubeni has set a goal to strive for net-zero greenhouse gas emissions from the group by 2050. To achieve this goal, Marubeni has formulated action plans which include targeting for zero coal generation by 2025.

As part of Crown Estate Scotland’s ScotWind seabed leasing program, Marubeni has partnered with SSE Renewables and Copenhagen Infrastructure Partners and was awarded the right to develop a 2.6GW floating offshore wind project off the east coast of Scotland. Significant works have already been completed to ensure that the project can be delivered at speed to respond to the climate emergency.

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

We are concerned that the draft impact assessment doesn't fully recognise the need for developers to have clarity now about how to proceed with the development activities immediately required to maintain the momentum of developing and consenting projects. The impact assessment should consider the risk of project delays that could result from this.

We have already undertaken a large amount of work on the grid connection development for our ScotWind project and are ready to continue with critical activities including undertaking technical and environmental surveys onshore and offshore; developing the onshore works; working with landowners, stakeholders and communities; and continuing EIA activities.

We strongly believe that it will be necessary for Ofgem to take a hands-on role to support the establishment and delivery of the generator build approach, and that this will require sufficient resourcing. Initially, this should include guidance about how the Detailed Network Design should be undertaken for non-radial connections.

We agree that developers should be able to come together to develop solutions for non-radial transmission networks, but this is likely to take significant time to initiate. Also, it is important to ensure that there is a coordinated approach to avoid the risk of developers separately undertaking works which would lead to inefficiencies, increased costs, and stakeholder confusion. Should disputes arise between developers, there could also be a role for Ofgem to arbitrate and support the finding of workable solutions.

Given the high volume of development work required immediately to develop a coordinated transmission network, it is also important that there is certainty around cost recovery at an early stage.

We also wish to ensure that projects, like ours, that have not been included in the first tranche of the HND, can still be involved in the discussions regarding the development and consenting of the transmission infrastructure of neighbouring coordinated designs as there could well be a future interface with these.

We note that the Leasing Round 4 annual option fees has been a factor in choosing the generator build model, however in our opinion the HND for the LR4 projects is less complex than the HND for ScotWind projects. Both the ScotWind HND and that which will come from the follow-up design process is likely to require coordination between a greater number of parties, thereby increasing the challenges of generator build.

The technical and supply chain challenges, including for HVDC technology and the high quantities of subsea cable required, should also not be underestimated when considering the impact of the proposals, and this is a further source of potential delays.

This minded-to decision is also likely to affect the financing of offshore wind projects and it will be necessary to ensure that lenders are comfortable with the commercial arrangements in a timely manner so as not to delay the overall project financing.

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

We stated in our previous OTNR consultation response last September that we had significant concerns about Option 6 given the complexity of coordinating between multiple developers. Those concerns do remain, and we urgently request more granular detail about how this approach would work, so that developments, which are critical to achieving 2030 targets, do not stall.

We request an overall programme that details all works required to enact this delivery model, in line with 2030 Government targets.

Developers will also be looking to understand the economic impact of these proposals on their projects, and it is not yet currently clear which parts of transmission infrastructure each developer is expected to bear responsibility for, or how the cost and risk of design and build is shared and where relevant, in what proportions, and when this information will become available. We also need to understand the future approach to TNUoS including how assets that will be delivered by generators but that also provide wider system benefits will be socialised.

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 that this step should be taken to ensure that generators do not simply prioritise their own assets, but work to ensure that all affected generators are considered to create a properly coordinated design.

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

We agree that a gateway stage assessment process should provide generators with confidence that their design and approach will be considered eligible for the tender process. However, the timing for this should be considered to ensure that early development activities including surveys can be undertaken with confidence of being able to recover the costs. Equally the gateway assessment process should not delay the overall delivery timeline. It was mentioned that Ofgem would aim to conclude the assessment as soon as practicable, but a specific time schedule is requested.

Also, should the design need to change to cater for issues in other projects then a developer should not be penalised for that.

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

We note that eligibility will be met by projects that are in the scope of the HND. However, given that the HND has not considered approximately 14GW of the 25GW of ScotWind awards, what potential is there for generators that are not yet included but given their proximity to other projects are likely to be included in the future to still be involved in this process? This would help to ensure a level playing field.

How will it be ensured that there are not effectively competing parties trying to develop the same infrastructure?

In addition to the information sought in 4.8 of the consultation, the agreement of the other impacted generators should be sought to ensure that they have been appropriately included in the process.

Given that offshore wind developers will be competing in future Contracts for Difference auctions there will be information that will be commercially sensitive and therefore it should be considered how Ofgem and/or NGESO can support with the processes necessary for handling this very confidential information to allow competitiveness to be maintained between developers.

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

As currently set out, it is likely that generators will need to spend considerable development costs before the gateway process has been passed (including environmental and technical surveys, EIA, and consenting activities), meaning that this would be at risk. This element should be considered to provide reassurance to developers that these costs can be recovered.

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

In addition to confirmation that the proposed transmission infrastructure would meet the tender entry requirements, we would also expect to receive confirmation or legal agreement regarding the treatment of works including those classified as anticipatory investment and those providing wider system benefits.

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

Given that some of the non-radial designs have the potential to be quite complex, interconnected, and geographically far reaching, we wish to understand how this would be tendered and how elements of the network might be tendered separately.

In the case of a generator being reliant upon multiple OFTOs there would need to be arrangements for managing those interfaces, including for commissioning, outages, and future extensions of the network assuming that the non-radial design is likely to be built out in phases.

We agree that given the complexity of the tender process, it is likely that the generator commissioning clause in the Electricity Act may need to be extended beyond 18 months, and probably at least 24 month is necessary.

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 a generator were to be dependent on multiple OFTOs in order to generate then consideration should be given to how to ensure that the overall availability of the network is guaranteed to be at an acceptable level, with compensation provided to the generator where this is not the case. Also, the OFTO should receive appropriate upside revenue / penalty if they are successfully / not successfully managing the transmission assets.

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

We agree that consideration should be given to both further extending the Tender Revenue Stream (TRS) to align with the longer asset life of planned offshore wind farms as well as considering the approach to TRS for assets that enter operation on a non-radial network in a phased approach.