BY EMAIL:

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Dear Offshore Coordination Team,

Re: RWE's response to the consultation regarding Ofgem's Minded-to Decision and further consultation on Pathway to 2030

About RWE

RWE is a leading energy player with four main operating companies, of which three are active in the UK, including RWE Renewables, one of the world's leading renewable energy companies.

In the UK, RWE employs over 2,600 people and generates enough power for over 10 million homes, with a diverse portfolio of onshore and offshore wind, hydro, biomass and gas across England, Scotland and Wales. For a broad picture of the scale of our projects in the UK and Ireland, please see our infographic here.

We have an ambitious commitment to expand our renewables portfolio in the UK, with around one-third of our planned global gross capex spend by end-2022 being invested into the UK. This is mostly on offshore wind, including our flagship Triton Knoll and Sofia projects.

RWE and its project partners have also signed Agreements for Lease with The Crown Estate to extend our existing Gwynt y Môr (North Wales), Galloper and Greater Gabbard (Suffolk), and Rampion (East Sussex) offshore wind projects. Most recently, we were successful in securing Preferred Bidder status for two further offshore sites amounting to 3,000MW in the Round 4 Leasing Round by The Crown Estate. We also have a significant and growing onshore renewables presence, with over 600MW of onshore wind in operation across 33 sites. We have ambitious plans to expand this portfolio out to 2030.

Our key points of feedback in relation to this minded-to decision are:

- Clarity is needed on how developers will be expected to deliver these coordinated projects in practice as soon as possible, i.e. which developer/project will be responsible for which assets (where those assets are "shared") and how this will be determined.

- It is unclear how Ofgem intends to assess whether a proposal can be deemed economic, efficient and coordinated, and therefore meet the proposed Tender Entry Condition, particularly if the proposal differs from the recommendation included in the Holistic Network Design.
- Any anticipatory investment required for coordination must be assessed and approved (if appropriate) by Ofgem on an ex ante basis in order for the developer to proceed with the proposed anticipatory investment (AI).
- Further work is required to fully understand how the current OFTO obligations and incentives will work under different coordination scenarios.

Please find our response to Ofgem's consultation questions below.

Kind regards,

Lois Leslie

Senior Regulatory Affairs Manager, RWE Renewables

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?

We agree that the "very late competition – generator build" delivery model is an appropriate delivery model based on the analysis included within the draft impact assessment. We agree that this delivery model is optimal in the current situation when considering the potential cost savings arising from the introduction of different types of competition models alongside the impact on the earliest in service date and associated costs of delaying delivery of a project. However, as we do not have clarity on the asset categorisation that will be applied to transmission infrastructure identified within the HND, we consider it would be appropriate to maintain the option of "OFTO build" (model 7) for non-radial infrastructure, at least for now. This would also be consistent with the options available for radial infrastructure.

Further clarity is needed on how developers and other parties will be expected to deliver these coordinated projects in practice, i.e. which developer/project will be responsible for which assets (where those assets are "shared"), how anticipatory investment responsibilities and costs will be apportioned and how this will be determined. Some of this uncertainty may be addressed through further refinement of the definitions of 'Radial' and 'Non-Radial' transmission assets referenced in paragraphs 1.14 - 1.19 of the Consultation. These definitions do not currently capture the full range of transmission assets presented within the HND.[1] For example, it is unclear whether either definition would apply to transmission assets which connect from one generator to another generator and do not connect directly via the transmission system owned by the transmission owner. The current definitions do not capture transmission assets which are providing boundary relief and do not connect directly to the transmission system owned by the transmission owner. In the case of the latter, it should not be expected that developers/ projects would deliver such assets.

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

The majority of the assumptions made within the draft impact assessment appear appropriate. The construction timescales specified in paragraphs 5.18 and 5.23 of the consultation may be unrealistic given current market conditions. However, given these timescales are assumed across all of the delivery models that Ofgem considered, we do not think this would bias the results of the analysis towards or away from any particular delivery model.

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'?

Where coordinated projects/grid is in general desired, we consider developers should be incentivised to act in a coordinated manner and not mandated to do so (as there will be some projects for which radial connections are the optimal solution, as the HND suggests). This is particularly important since the term "coordinated" is undefined in this context.

[1] The Pathway to 2030 Holistic Network Design | National Grid ESO

We are assuming that the new Tender Entry Condition would sit in Schedule 2 of the Tender Regulations and the intention is that this focuses more on the proposed design and whether it would be eligible for a tender process, however we would welcome further clarity on this and how Ofgem will ensure that sensible designs are not deemed ineligible whether they are "coordinated" or not.

Under the current OFTO regime arrangements, generators typically submit Tender Entry Conditions for a generator build project once the project is at least 50% built. The proposal to assess against the Tender Entry Conditions at an early stage is incongruent with the timing and operation of the current tender process.

It is also unclear how Ofgem intends to assess whether a proposal can be deemed economic and efficient, and therefore meet the proposed Tender Entry Condition. Paragraph 4.18 of the Consultation states that Ofgem do not intend to provide a view on what would constitute economic and efficient costs on an ex-ante basis and given that no cost information is requested as part of the developer submission outlined in paragraph 4.8 of the Consultation, we would like to understand how Ofgem intends to provide clarity on whether the proposed infrastructure would or would not satisfy these aspects of the proposed conditions. Does Ofgem intend to assume proposals that align with the HND automatically meet the economic and efficient criteria of the condition or will some form of further assessment take place? In the scenario where the proposal differs significantly from the HND how would this be determined in the absence of an ex-ante assessment process? If this cannot be determined ex ante Ofgem should remove the wording for economic and efficient from this proposal.

We also think further information should be provided which explains how Ofgem will assess whether a proposal is deemed 'coordinated', particularly if the proposal differs from the recommendations set out in the HND and given that this term is undefined. We understand that in this instance Ofgem is proposing to carry out a public consultation on the proposed design, however, it would be useful to understand what factors Ofgem would be considering to determine if the proposal can be deemed 'coordinated'. As highlighted in our response to Question 4, below, we do not think a public consultation is necessary.

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

We agree that the introduction of the proposed gateway assessment process, is in principle, broadly appropriate.

We consider that any anticipatory investment required for coordination must be assessed and approved (if appropriate) by Ofgem on an ex-ante basis in order for the developer to proceed with the proposed anticipatory investment (AI). Developers need to have certainty that any costs associated with AI proposals for coordination will not be disallowed at the final cost assessment as part of the OFTO transfer process. There will always be an issue associated with the fact that there will never be certainty around all costs until late in the construction process (where an ex-post cost assessment process is undertaken), but Ofgem already assesses costs on an ex-ante basis in other regimes (C&F and LOTI) and we propose that a similar approach is used to assess AI costs. Alternatively, depending on the maturity of the costs, Ofgem could perform an initial high-level sense-check of the developer's early estimates of the project costs but, where costs are mature, also undertake a detailed assessment of the project's costs.

In addition, we would like to understand why Ofgem considers a public consultation is required on the proposed gateway assessment process if variations from the coordinated

solution presented in the HND are proposed. A public consultation may add to the length of this assessment process and appears at odds with the approach taken by NGESO to date, as the HND was never publicly consulted on before being finalised. Given that there would already be a public consultation under the Environmental Impact Assessment consultation required under the DCO application process, we believe that the interests of consumers are already being appropriately assessed at the right time.

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

As highlighted in response to Questions 3 and 4 we think Ofgem needs to set out how it intends to assess whether a proposal can be deemed economic, efficient and coordinated, through the gateway assessment process. As referenced in response to Question 3, if Ofgem intends to provide an indication as part of the gateway assessment process decision of whether a proposal is 'economic, efficient and coordinated' a review of some level of cost information would be required. It is currently unclear how Ofgem expects to make this assessment as cost information is not currently requested.

It is important to note that as the gateway assessment process is intended to take place in advance of the DCO envelope being finalised there is a risk some of the information submitted may change. For example, details of designs may change through the development process. We encourage Ofgem to recognise this and that examples of material amendments or updates that would trigger the need for a re-assessment should be clearly set out in Guidance.

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

The gateway assessment process needs to take place as early as possible, to allow information related to the coordination proposal to be factored into the project design and CfD bid preparation process. This is necessary to reduce investment risk and ensure roles and responsibilities between coordinating projects are clear as early as possible.

We anticipate there is a risk that the requirement to submit an application for the gateway assessment process 12 months prior to a project's final statutory planning consultation may not always be possible. Many of the projects captured in the Pathway to 2030 workstream may already be less than 12 months ahead of the final statutory planning consultation. We recommend Ofgem consider this on a case-by-case basis and apply flexibility where needed to ensure that artificial delays are not created.

Ofgem has acknowledged that a similar assessment process is being consulted on within the Early Opportunities workstream and that the intention is to develop a standard process which will be applicable regardless of workstream. We request that this is developed and implemented as quickly as possible to enable projects that are already in-flight and have started the consenting process to be able to participate effectively.

We request that Ofgem provides an indicative process (with regulatory timeline) for the gateway assessment process so that developers can accommodate this additional regulatory process into project timelines as needed.

We would also like to understand the process that would be followed if the proposed design of an offshore transmission system is not deemed economic, efficient and coordinated.

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

We request that Ofgem provides further clarity on what the draft decision indicating the outcome of Ofgem's assessment would look like and in particular what "an indication of whether the proposed design will qualify" means in practical terms.

The early stage assessment process should provide developers with approval that the coordination proposed will be an allowable cost in any future cost assessment and this process should confirm approval of any costs associated with AI on an ex-ante basis. Similar to the Final Project Assessment that takes place for interconnectors, we suggest this could be done by classifying costs into firm and uncertain capex costs. Firm costs could include costs associated with signed contracts, covering the cost of aspects such as the main assets and insurance. The firm allowance plus a reasonable level of contingency could then be included in Ofgem's assessment.

As flagged in response to Question 5, it is very common for projects to change significantly during the development cycle due to factors such as changes in technology and enhanced understanding of the wind farm site and its optimal capacity/configuration. It is important that the approval issued by Ofgem recognises this and that examples of material amendments or updates that would trigger the need for a re-assessment are clearly set out in Guidance.

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?

We agree that the duration of the tender process may need to be extended to allow for scenarios where there are more complex projects or a number of phased/staged projects linked to a shared transmission asset.

We also agree that to allow for potentially more complex projects with shared infrastructure the Generator Commissioning Clause provisions ("GCC provisions") in the Electricity Act 1989 should be amended to enable more flexible extension at the discretion of Ofgem and/or the Secretary of State. We are aware that BEIS is already considering this but that, unfortunately, this wasn't part of the government's proposals put forward in the recent Energy Bill.

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?

In our view the OFTO availability incentive should not be reduced. It is not clear why this would be beneficial as it is in the interests of both generators and consumers that an OFTO is fully incentivised to repair and maintain the assets. This is a real area of concern for the generator whose only means of exporting power rests with the transmission asset owned and operated by the OFTO. If an OFTO asset is not fully available the OFTO will still be paid its Tender Revenue Stream (TRS) in full whereas the generator would face financial losses due to loss of route to market to sell power as well as still having to pay Offshore Local TNUoS

without any compensation (unlike if this were a TO owned transmission asset). Therefore the availability incentive being high, and enforced by Ofgem, is crucial for generators connected to OFTO assets. For consumers the availability of the OFTO, and therefore the renewable power being able to export, is beneficial as it reduces the carbon intensity of the grid and helps to reduce consumer bills.

We think there are several areas that Ofgem should consider and share further information on, namely:

- How it intends to appropriately assess the availability of a shared OFTO asset when being used by multiple offshore wind farms;
- How it intends to assess the availability of a single OFTO responsible for more than one transmission asset;
- How it anticipates an OFTO would be expected to maintain multiple transmission assets for multiple offshore wind farms which are owned by the same OFTO, for example, how should the OFTO prioritise repairs if there are multiple, simultaneous repairs and ensure that generators are not disadvantaged through this process;
- How it will ensure that the incentive to repair and maintain the transmission assets remains at least as strong as it is under the current regime;
- How it assumes any compensation payments will apply to coordinated proposals that are adopting a phased approach using a shared OFTO. For example, will the first wind farm that connects receive compensation for pausing output whilst a later wind farm connects. The planned outage for this purpose could be several months long; and
- How will access to the offshore transmission system be managed when generation exceeds available transmission capacity due to technical failure i.e which projects have priority access to grid.

More generally, we think a holistic review of the current OFTO regime is required in order to improve fairness and ensure that the remaining operational lifetime of the OFTO regime as we know it today is truly fit for purpose. It is important to ensure that the OTNR process does not bake existing issues in design into the future offshore connection regime.

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 think Ofgem need to consider the length of the Tender Revenue Stream (TRS) in the context of expected longer asset life of new build offshore wind farms, which is estimated to be over 30 years.[2]

We encourage Ofgem to be mindful of the overlap between Offshore Transmission[3] and Onshore Transmission[4] 'in the sea' and the appropriateness of differences in revenue arrangements. TO developed and owned transmission infrastructure which happens to be located in the sea, normally referred to as 'bootstraps', are regulated as onshore transmission assets despite being geographically located offshore. A 'bootstrap' receives price control revenue under current arrangements. Whereas, an Offshore Transmission

[2] https://www.ofgem.gov.uk/publications/offshore-transmission-owner-end-tender-revenue-stream-consultation-concerning-policy-development

[3] In the Electricity Act 19189 Offshore Transmission is defined as the "transmission within an area of offshore water of electricity generated by a generating station in such an area" (Section 6C).

[4] The Transmission Licence Standard Conditions defines the GB transmission system as "the system consisting of high voltage electric lines owned or operated by transmission licensees within Great Britain and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between substations or to or from any interconnector and includes any electrical plant or meters owned or operated by any transmission licensees within Great Britain in connection with the transmission of electricity".

asset, regulated through the current OFTO regime would receive TRS. Ofgem needs to consider these differences in further detail in the context of both the Pathways to 2030 and the Enduring Regime arrangements to ensure it remains appropriate and there is objective justification for treating these transmission assets differently despite being similar in nature and carrying out a similar function.