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Dear Cher-Rae, Viljami,

Minded-to Decision and Further Consultation on Pathway to 2030

Thank you for the opportunity to respond to the above. We acknowledge Ofgem's minded-to decision to use Delivery Model 6 ('DM6') for non-radial transmission in scope of Pathways to 2030 ('PT2030'), however we disagree with some of the analysis presented in supporting that decision. We disagree with the representation of the existing competencies of the Transmission Owners (TOs) in relation to their capability to deliver offshore transmission infrastructure, and consider it is important that alternative delivery models are not ruled out for longer-term delivery of offshore infrastructure.

Below we have provided further summary of our key positions, with answers to individual consultation questions in the provided annex.

Minded-to position

We acknowledge Ofgem's minded-to decision to apply a 'very late competition - generator build' model to non-radial offshore transmission in scope of the PT2030 workstream of the Offshore Transmission Network Review ('OTNR'). We acknowledge Ofgem's argument that this is a pragmatic choice for connecting offshore wind by 2030 given it provides the most continuity with current arrangements under the Offshore Transmission Owner ('OFTO') framework and therefore responds to the time pressure of implementation. We caution, however, that further challenges may arise through implementation, for example co-ordination of works between developers, and recommend that Ofgem further explore these issues at the earliest opportunity.

We welcome Ofgem reiterating that this decision does not set a precedent for delivery models under the enduring regime. The PT2030 workstream is time-limited in its application and it is appropriate to continually review applicable delivery models as the framework and context of the enduring regime materialises. We look forward to continued engagement on this topic with Ofgem, BEIS, and the other delivery partners.

Review of delivery models

We don't fully agree with all of the outcomes of Ofgem's review of the alternative delivery models. In particular we don't feel that the applicability of Delivery Model 1 (DM1), a TO-led model, was appropriately reflected, as we elaborate on further within this response. Furthermore, we consider that the analysis, as presented, misapplies, and underplays the known competencies of developers and TOs respectively. We encourage Ofgem to remain open

minded as to parallel delivery models in the future, and in particular the role of TOs in the delivery of offshore infrastructure. We would be happy to discuss further the competencies of the TOs in this regard.

More generally we consider that the analysis does not fully elaborate on the reasoning for supporting the minded-to position. We don't think Ofgem has completely explained or evidenced how developers will fully realise a coordinated approach (in the absence of any incentive to do so). Ofgem should be comfortable that ruling out other delivery models without this being confirmed does not unnecessarily limit the chance of achieving the 2030 target. We remain concerned that the way in which developers cooperate on non-radial designs warrants further exploration. Failure to do so risks the timely delivery of those assets and the connection of offshore wind by 2030.

We welcome Ofgem moving away from recommending earlier competition models and agree that the time taken to implement such models is a material risk to 2030 delivery. This is demonstrated in Table 7 of Ofgem's draft Impact Assessment (IA) which shows the potential for greater costs as a result of implementation delays. However, there still appears to be an absence of a full appreciation of the role that competition plays within a fully TO delivered model. Competition is already inherent within the TO's onshore delivery model, for example through procurement and award of contracts. This framework already accommodates the benefits of competition that Ofgem also want realised for further offshore development.

Impact assessment

We welcome the approach taken in Ofgem's impact assessment. Given the need for timely project delivery in order to meet 2030 targets it is important that the cost of delay as a result of different competition models is appropriately considered. We would have welcomed, however, further explanation of how the figures for the benefit of competition and the potential delay of delivery had been arrived at.

We also note that recent work by Ofgem reviewing the application of competition onshore did not provide an equivalent standard of review as this analysis. We encourage Ofgem to take a more joined-up approach, where applicable, to such similar workstreams, so that there is assurance that a comparable and similarly valid review is taken across workstreams.

Onshore/offshore delineation

Not directly concerning the individual consultation questions, but still vital to the OTNR work, are the next steps required for the onshore/offshore delineation of assets. Certainty has been a key principle of how we have previously advocated Ofgem should undertake its review of the 2030 delivery models and so further details of how this delineation is made are essential in order to achieve this target. Even with the HND being published, stakeholders are now dependent on this next stage to provide the certainty needed to kick-start the investment activities required to deliver those important assets by 2030. This lack of detail provided does not reflect the urgency in delivery of Government ambitions, nor the duration of project delivery and demands on supply chains. There is also a lack of transparency as to how Ofgem will seek input to inform its final view; the remaining lack of certainty risks the 2030 delivery target. We strongly encourage Ofgem to engage with relevant stakeholders on this topic at the earliest opportunity.

Please find our answers to the individual consultation questions in the annex below.

Yours sincerely

Josh Henderson
SSEN Transmission

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

While we acknowledge Ofgem's minded-to decision on DM6 for PT2030 non-radial connections, we think there are some shortcomings in Ofgem's impact assessment. In particular, we consider that the minded-to positions, particularly with respect to TO and developer competencies, are not fully supported by available examples/evidence and the information provided to stakeholders does not elaborate on the reasoning behind those decisions.

As put forward in our response to the consultation last year, an important consideration in the choice of delivery models is the existing competencies of potential delivery parties. We acknowledge Ofgem's position on the existing competencies of developers in this regard, for example, through participation in the OFTO regime. On balance, however, we disagree with Ofgem's view regarding TOs not having as relevant competency to deliver offshore transmission.

The Ofgem minded-to decision does not adequately reflect the experience that TOs have in developments that are closely comparable with the type of offshore development needed for the 2030 delivery models. While it can be argued that developers have more direct experience in offshore development, only TOs have experience in all of the elements required; design, consenting, and construction and delivery onshore and offshore, including collaborating to manage marine environmental impacts. We cited the Shetland HVDC and Eastern HVDC Links in our previous response as evidence of where TOs have conducted work with high equivalence to what is considered offshore development in this review. Caithness-Moray is another undertaking with comparable qualities that has also been realised and operational for years.

For delivering Detailed Network Designs (DNDs), TOs have the experience of both grid management and the marine environment, having relevant technical capability and an understanding of offshore technology. Even where work on offshore infrastructure is led by offshore developers, these competencies are important to preserve since coordination between stakeholders (i.e. TOs, ESO and developers) will be required to optimise the network against current/future performance.

Ofgem's minded-to position is based partly on the experience that developers have in the field of point-to-point connections. Whilst we recognise the relevance of this experience, we note that coordination between delivery bodies and other network operators will become increasingly important as the offshore network develops through PT2030 and the enduring regime. The TOs have applicable experience of facilitating coordination through the onshore networks.

Despite our reservations on the arguments presented regarding the experience of potential delivery parties, we welcome the assessment that Ofgem has conducted on the cost of delay against potential savings generated by competition. This is a useful approach which we would also have welcomed during recent reviews of onshore competition. Having consistency of approach across comparable areas of policy development within Ofgem will help ensure consistent decision making in the future.

We agree that DM6 has strong parallels with current arrangements and therefore should be relatively straightforward to implement. While this does not necessarily provide an accelerated approach against the 2030 timeline that we advocated for in our consultation response last year, we accept that this is a pragmatic choice when solely thinking of 2030 delivery and minimising any upheaval within that timeline. That being said, Ofgem should also be confident that this minded-to position fully accounts for costs and time taken for developers to co-ordinate. This could involve support being provided from ESO and TOs as part of delivering coordinated DNDs, and if so, certainty is needed as soon as possible.

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

The impact assessment does not fully align with the principles that we advocated for in last year's consultation response, that the delivery model should accelerate delivery to meet 2030 targets and should make best use of existing industry competencies.

The impact assessment refers to 'anecdotal' suggestions that developers are willing to undertake a stakeholder-led and coordinated approach, and Ofgem's minded-to position appears to have given too high an expectation around developers taking such a coordinated approach, yet no evidence is provided demonstrating that they have experience with complex and shared use infrastructure. This does not provide full confidence that the DM6 delivery parties are able to deliver coordinated non-radial solutions by 2030.

Given the continuity with current arrangements, there is reason to believe this should give some certainty to offshore developers and the supply chain. However, an important aspect of certainty in network development also comes through environmental and local community engagement, which does not appear to have been considered. The importance of the stakeholder-led approach allows effective planning and environmental management that can streamline and de-risk consenting. TOs experience in this area demonstrates their ability to provide a long-term view on asset development that leads to better informed decision making and a more well-rounded and acceptable approach to network development than only considering immediate transmission system needs.

As previously set out, the chosen delivery model must provide certainty for offshore wind developers and that all associated investment, both offshore and onshore, can go-ahead. Thus, our view is that the impact assessment assuming delivery of coordinated assets in a 3-5 year timescale is optimistic.

Also of particular note is the absence of clarity on future decisions on the delineation of offshore and onshore assets. This is important as it is expected to determine which delivery body and delivery models will apply to each part of the proposed HND solutions. The HND has been widely and highly anticipated to give further certainty for proceeding with investment as well as providing the necessary signal to the supply chain. We stress the importance of a decision on asset classification at the earliest opportunity to provide that certainty to relevant delivery bodies, both for PT2030 and the enduring regime.

No further timeline is provided for the process through which a decision on onshore/offshore delineation will be made which adds to uncertainty which the HND publication, it was hoped, would otherwise relieve. We would encourage Ofgem to provide more details of what this process will entail, the timescale for this to complete and what formal avenues stakeholders will have both to stay informed of developments and for providing input. At present, while it is welcome that Ofgem has stated its intent, the lack of detail on what happens next creates more questions at a time where more certainty was expected.

Our expectation is that the decision on onshore/offshore delineation will directly determine which developments are considered as eligible for OTNR delivery models and which are considered under existing onshore delivery mechanisms (i.e Accelerated Transmission Investment). As TOs are already developing workplans for the next decade and beyond, the opportunities they are providing should not be undermined by providing late notice to undertake HND work where it will not be achievable by 2030. This timeline becomes increasingly compromised as the delineation decision takes more time.

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'?

With infrastructure being consistent with the desired OTNR outcomes, the Tender Entry Condition should be focused on ensuring that generators do not unreasonably prioritise their own assets since the need for the work has already been shown through the HND. We would welcome more detail from Ofgem on whether this will be the primary focus and how they would otherwise attempt to reduce this risk.

Giving confidence of the review having the right focus should include explaining what is being measured against for how designs are considered economic and efficient. This could be clarified as being against, the needs at the date of connection, the needs of a given region, or the network needs over given planning timeframe. While it is noted that the assessment should ensure that developers adhere to the HND, this should also look beyond the design in terms of the immediate point in time but also consider that its future operation can realise the efficiencies of a coordinated design.

While Ofgem has referred to the Tender Regulations, the proposed changes have not been presented as part of the consultation. Having a draft of the intended changes would assist in giving a fully informed view on whether these changes would have the desired outcome. An accompanying version of the intended changes would also help to better inform comments returned through the consultation process.

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

While we agree that developers would benefit from the certainty such an assessment would provide, as is the case with the Tender Entry Condition, Ofgem should also be mindful that the gateway stage assessment process does not provide a barrier towards an accelerated delivery timeline where the time taken applies more pressure on the 2030 target. This includes avoiding any further delays to signal certainty to the supply chain about the expected demand.

While the gateway stage assessment may give reassurance that projects are eligible for the OFTO tender regime, Ofgem's proposals do not provide detail on how developers will collaborate and coordinate with each other. This is the fundamental requirement for a collaborative approach and at present, Ofgem has not detailed how it will be achieved.

Similarly, the potential time pressure is not just caused by developers taking the time to demonstrate their projects attain a range of different criteria. There will also be a need to adequately resource the Ofgem teams responsible for review so that timely feedback and decisions can also be provided. One way to alleviate this pressure would be to instead focus on the robustness and clarity of guidance that can be used to confirm eligibility. This approach would empower developers to work towards OFTO eligibility rather expecting Ofgem to provide a compliance function for their own projects.

The function of any supportive assessment for the purpose of OFTO eligibility needs to be placed in the context of how developers are anticipated to collaborate with each other. Expectations of this are not set out other than noting there being an expectation of coordination. Unless the required coordination is achieved then the implementation of the gateway assessment will remain a secondary concern to the need for developers to coordinate in order for the minded-to option to deliver the needed benefits of coordination for 2030. The proposed assessment will not address the need for coordination between developers. While the assessment is also intended to work towards confirmation of OFTO eligibility and tender process, this should not limit the ability to consider future coordinating options in the future.

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

We will be better able to answer this question once the gateway assessment process guidance is available for review. However, from the details currently available, the requested information looks reasonable. As a guiding principle, Ofgem should work towards this intervention being light touch.

On the face of these proposals, there could be some overlap between what is confirmed through HND and further reviews conducted by Ofgem. With the preferred delivery model also being consistent with the current OFTO tender regime, this should allow for a less intensive supporting role from Ofgem for an arrangement that is otherwise known by stakeholders.

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

While the 12-month process would be consistent with the LOTI process, the experience so far has been that it is not an achievable or practical timeline in application. It may not be entirely worthwhile to have a specified timeline to reflect the planning requirements in different parts of the country and any subsequent change or update they may have as well. With these points in mind, we would ask that Ofgem take a flexible approach when needed.

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

It is unclear how data sharing arrangements will be established between developers for them to make co-ordinated economic and efficient decisions. This could include sensitive information on the status and development plan of other developers. DND work is not expected to be a fixed position and so failing to have solutions for the required data exchanges could become a risk to a coordinated approach. We expect developers would be better placed to give more detail.

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?

While the familiarity of the OFTO tender process can be seen as lending itself to achieving delivery by 2030, now is also an opportunity to implement a higher degree of coordination to achieve the accelerated timeline as well.

As noted in our previous consultation response, competitive tendering at any stage of the delivery models introduces the chance of adding delay either for those wanting to connect to the transmission network or for the supply chain facing increasing global demand.

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?

As part of the move towards non-radial solutions, developers will be expected to undertake more planning responsibilities that may go beyond their typical role. This looks like at least one change that would need to be included in an updated set of obligations. This should be picked up by Ofgem as part of the outstanding question of how developers are expected to provide a coordinated approach.