
Offshore Transmission Network Review: Minded to Decision and Further Consultation on Pathway to 2030

Response from The Crown Estate

July 2022

1 Summary

The Crown Estate welcomes the publication of this document, as it provides the offshore wind industry and wider stakeholders a line of sight on how the transmission infrastructure will be designed and delivered for those projects expected to connect to the system by 2030, including those delivered through Round 4. We broadly support the decisions reached; our main areas of response are to encourage further clarity as soon as practicable on the underlying detail for the reforms given the urgency for offshore wind projects deploying by the end of this decade.

Whilst we agree that putting in place the necessary regulatory arrangements for this cohort of projects is the most pressing, the case for longer term reform to deliver strategic coordination across the energy system – including with respect to planning, consenting and marine spatial prioritisation in addition to the regulatory regime for transmission – remains strong. We will continue to work with Ofgem, BEIS, Defra and other project partners through the Offshore Transmission Network Review and wider to support establishing a robust enduring regime, which will be required in the first instance for projects emerging from our Celtic Sea Floating Offshore Wind programme.

2 The Crown Estate

2.1 Who we are

The Crown Estate is a purpose-driven and unique business with a diverse portfolio. We manage the seabed and around half the foreshore in England, Wales and Northern Ireland, playing a fundamental role in the sustainable development of these important national assets and using our data and evidence to facilitate co-location and greater spatial coordination between activities.

Our ownership also includes a substantial rural portfolio, and the Windsor Estate, including the world-renowned Windsor Great Park. Alongside this, we operate some of central London's best places to work, shop and experience, as well as regional retail and leisure destinations across the country.

Established by an Act of Parliament, The Crown Estate works to create social, environmental and financial value, both now and for the future, for its customers, partners and the nation. We generate 100% of our net revenue profit for the benefit of the nation, contributing £3 billion to the public purse over the last ten years.

2.2 Our purpose

As a business, we actively deliver against our purpose, which is to create lasting and shared prosperity for the nation. We believe we are well placed to create financial, environmental and social value holistically today and for future generations, by drawing upon our unique attributes to address long-term trends and national needs.

Combining our independence and scale of ownerships along with our ability to convene multiple stakeholders and take a long-term view with patient financial capital, we can play a significant role in creating and accelerating new opportunities where we believe we are well placed to add value.

We drive our purposeful activity through three strategic objectives, to:

- Take a leading role in stewarding the UK's natural environment and biodiversity
- Be a leader in supporting the UK towards a net zero carbon future
- Help create thriving communities and renew urban centres across the UK

3 Responses to issues raised

3.1 Questions

We set out below responses to those questions raised in the consultation which are most relevant to us.

Q4: Do you agree with the introduction of the proposed gateway stage assessment process?

We support the approach put forward. The proposed gateway assessment process as described appears pragmatic as a way of providing developers with an early degree of assurance that their proposals for non-radial infrastructure would be accepted into the OFTO regime. We would ask that Ofgem provides further guidance on this as soon as practicable, to help ensure there are no unnecessary delays to project programmes through potential misinterpretation of requirements within the new process.

Q8: Do you think changes are required to the current process to facilitate a very late competition model for non-radial assets?

We note and agree with the comment in section 5.5 that the Generator Commissioning Clause in the Electricity Act 1989 could be problematic for the development of non-radial infrastructure. We are aware that fully commissioning and then transferring the offshore transmission assets within the current 18-month legislative window is increasingly challenging for larger radial projects, and so can envisage that this will be even more so for more complex infrastructure, particularly if developed in phases. We support any work in this area to ensure that issues are addressed promptly in order for offshore wind projects not to be delayed or otherwise adversely impacted, and we would be happy to contribute directly if of value.

Q10: Do you think changes are required to other aspects of the OFTO regime, e.g. asset life or duration of the revenue stream?

In our response to the initial consultation on the Pathway to 2030 workstream (July 2021), we provided the outputs of work we commissioned in mid-2019 looking at the economic and technical case for pursuing a strategy of longer assets lives for offshore transmission infrastructure. Specifically, the analysis considered the feasibility of designing infrastructure that would last for up to 60 years (which is the term of Round 4 leases) to cater for two windfarm life cycles at the same location. The conclusions from this desk-top analysis identified both cost savings and broader environmental benefit and we support any actions to facilitate this sort of approach.

This analysis was undertaken on the basis of radial links, as this was the prevailing model at the time of the work's inception, and we recognise work would be needed to develop an appropriate coordinated design counterfactual. However, arguably the conclusions would seem more relevant when considering coordinated designs given the offshore transmission assets would be used by more than one offshore wind farm, each of which will presumably be developed in different time horizons. We recognise that incorporating such analysis into the first iteration of the Holistic Network Design (HND) was not possible, but recommend that an assessment of longer life infrastructure is considered further within the context of the forthcoming update to the HND. We would be happy to engage with you further on this over the course of the summer and support with more detailed work and analysis if of use.

3.2 Additional comments

Regulatory arrangements for Celtic Sea projects

Section 1.1 of the document confirms that the regulatory arrangements described will apply to a defined cohort of offshore wind projects, principally being those identified through Leasing Round 4 and ScotWind. On 5th July 2022, we confirmed our intention to launch a leasing opportunity for floating offshore wind in the Celtic Seas by mid-2023¹. Alongside this, we also published information on the 'areas of search', which define the broad areas for future floating wind capacity in the region. To support acceleration of development in the Celtic Sea, we are currently working with National Grid ESO to consider network design options for the up to 4GW expected to be delivered in the region, with a view toward this being incorporated in the next iteration of the HND.

Given this will be the next major leasing opportunity in the UK, we welcome the statement in the consultation that Ofgem will work with industry and stakeholders to provide clarity on the delivery model and associated regulatory regime for projects emerging from this process. We would ask however that the necessary analysis and decision-making is prioritised on this over the course of the coming months to ensure that by the time of publication of the HND follow up, the market and wider stakeholders have the necessary foresight on how the transmission infrastructure will be

¹ <https://www.thecrownestate.co.uk/en-gb/media-and-insights/news/2022-the-crown-estate-announces-areas-of-search-to-support-growth-of-floating-wind-in-the-celtic-sea/>

delivered. We would be very happy to work with Ofgem to support development of these arrangements.

Classification of assets in the HND

Section 1.21 of the document outlines that the delineation between onshore and offshore assets will be established following completion of the HND. This will be an incredibly important process; however at this stage, there is no detail in the public domain as to how Ofgem intends to carry this out. We would ask that as soon as practicable, the process for classifying assets in the HND is made available to allow interested parties to understand the allocation of responsibilities for delivery. We are an interested party in this matter given that, in due course, seabed rights will be required for all electricity transmission infrastructure on the seabed that we manage. If there is further information that would be valuable from The Crown Estate to inform this process, then we stand ready to provide it.

We trust that you will find our comments on the consultation constructive. We would be willing to provide additional information on any of the points we have raised above and be happy to discuss these matters with you further.

All of this response may be put into the public domain and there is no part of it that should be treated as confidential.

Yours Sincerely,

A handwritten signature in black ink, appearing to be "Richard Clay", written in a cursive style.

Richard Clay,
Senior Manager, Energy Policy & Regulation