

OFTO Tender Round 10 Launch Event: Summary of Questions and Answers

Question	Answer
<p>Why is there a gap between EPQ stage and next ITT stages?</p>	<p>Ofgem:</p> <p>The EPQ Stage is run for all three projects at once. The first ITT Stage (which is anticipated to be for Dogger Bank A), will then commence shortly after the announcement of shortlists for each of the three TR10 Projects.</p>
<p>Is there a target IRR from Ofgem? In what order of magnitude?</p>	<p>Smith Square Partners:</p> <p>Historic data on this suggest 6.5 to 7% post-nominal IRR, although this data set is from early-2022 and therefore slightly out of date (given volatility of market conditions, which have seen an upward direction of rates).</p> <p>We don't have a revised data point that fully reflects such changes, however the historic data can be used as a baseline. Elements that are likely to push the rate up would include things such as a rise in underlying gilt yields.</p> <p>But conversely</p>

	<p>Inflation linked and ESG nature of the OFTO asset class has only become more popular.</p> <p>TR9 and TR10 will be bell weathers of what recent market changes have been.</p>
<p>End of TRS question – what happens beyond the 20/25 year revenue period.</p>	<p>Ofgem:</p> <p>Ofgem is currently working through the End of Tender Revenue Stream (EoTRS) work to essentially understand what happens once a licence term ends.</p> <p>At the end of the awarded licence concession, it would either be necessary for the OFTO assets to be decommissioned, which would be the responsibility of the OFTO to undertake.</p> <p>However if the developer has indicated that there is further generation life to be had from the wind farm, and the transmission assets are also fit to continue supporting this, then Ofgem would consider how best to manage this to ensure that energy can continue to go back into the network.</p> <p>Part of our EoTRS consultation that previously went out considered the importance of introducing asset health reviews, to ensure that Ofgem is able to sufficiently understand what the state of relevant</p>

	<p>assets are and therefore, decide what would need to be done to extend the life of those assets in question. We expect to publish our decisions from this consultation in Spring/Summer this year.</p> <p>Offshore Transmission Owner End of Tender Revenue Stream – Consultation concerning policy development Ofgem</p>
<p>Is it possible to expand on the opportunities for OFTOs to act as "strategic nodes for other assets"</p>	<p>Ofgem:</p> <p>The answer to this question would really depend on what is understood as 'strategic nodes for other assets', which could present all sorts of opportunities for an OFTO. If, for example, this question relates to the storage of energy, such as batteries, a decision was previously taken to class batteries as generation and must be licenced accordingly. With this being the case, prospective OFTO bidders should note unbundling/certification requirements.</p> <p>Notwithstanding this, where a need was identified, discussions between an OFTO and Generator/battery operator could take place to come to agreement.</p> <p>If you have further questions concerning the classification of assets, then please contact offshore.coordination@ofgem.gov.uk</p> <p>Those with an interest in this should also engage with two separate review processes, 'Offshore Transmission Network Review' and</p>

	<p>'Holistic Network Design'.</p> <p>Offshore transmission network review - GOV.UK (www.gov.uk)</p> <p>The Pathway to 2030 Holistic Network Design National Grid ESO</p>
<p>The most recent Tender Process Guidance document (for TR9) which has been published on Ofgem's website is dated November 2020. With Ofgem mentioning the changes to the tender documentation, is the Process Document going to be updated for 2023?</p>	<p>Ofgem:</p> <p>The current version of this document remains applicable to the TR10 process, so has not been updated since the version referred to. Should Ofgem made policy changes to the way in which subsequent tender rounds run, we may then issue a further updated version.</p>
<p>As this EPQ contains 3 projects will the page allowance in the EPQ be increased accordingly. We have 3 projects to respond to.</p>	<p>Ofgem:</p> <p>The page allowance has not been amended to take account of there being three projects in the EPQ stage for TR10. We expect bidders to submit one response for the EPQ, regardless of the number of projects they expressing interest in. This reflects both the limited nature of TR10 project specific elements of the questions in the EPQ Questionnaire, and as also already mentioned elsewhere in this presentation, we have relaxed some of the requirements in the TR10 EPQ (which bidders should note, they will still be expected to respond to such items as part of the ITT Stage requirements)</p>
<p>Given that projects are getting further offshore and with the introduction of HVDC OFTO connections, is</p>	<p>Ofgem:</p>

<p>the 98% availability target still considered appropriate? If so are Developers expected to design all future OFTO assets to achieve this level as a basic requirement.</p>	<p>We believe that the 98% figure remains appropriate. This has been appropriate for projects previously tendered in the OFTO regime where the average maintained figure has been around the 98% mark, and as can be noted from each of the TR10 developer presentations today, they also expect to achieve this figure.</p> <p>In short, at this we are not planning to change this figure in the near future, but will continue to engage with stakeholders to keep this under review.</p>
<p>Given bidders need to demonstrate financing - do bidders need to specify which (if not all) projects they would like to bid for?</p>	<p>Ofgem: Yes, it is a requirement in the EPQ Document for bidders to indicate at this stage of the process which projects they are bidding for.</p>
<p>Given the tight timelines for bidding, how are Ofgem ensuring that ITT data rooms are populated sufficiently for opening so there is not delay to workstreams during the bid stage? ITV cost assessment documents being the best example.</p>	<p>Ofgem: We do not consider the timelines for this process to be 'tight' and taken onboard feedback from various stakeholders over multiple past tender processes (who have generally indicated a preference for shorter timescales).</p> <p>However in terms of managing all tender processes, Ofgem works closely with developers to prepare each stage of the tender and will continue to require data rooms to be as fully populated as possible.</p>
<p>If the developer is offering O&M at £1, is there a risk that the benefit of the OFTO framework is lost as</p>	<p>Ofgem:</p>

<p>clearly the developer values the risk of transferring the operations of the assets really high?</p>	<p>It is up to bidders to decide whether this is of interest to them, however we can see mutual benefits to both the bidder, developer and energy consumers.</p>
<p>The TR10 projects are very complex electrical assets - does Ofgem only use financial advisors to review the proposals from investors or do they use technical advisors or have internal engineering team to review the technical proposals by bidders?</p>	<p>Ofgem: As well as our financial advisers for TR10 – Smith Square Partners – we also utilise the services of Vinci to support us with the technical aspects of bidder submissions (as well as input into Ofgem’s consideration of OFTO policy development). In addition to this, Ofgem also have an in-house team of highly skilled professionals working across the OFTO worksteam.</p>
<p>What steps are developers (and potentially Ofgem) taking to ensure the assets are without technical issues (beyond typical snagging), which can often lead to significant delays during the PB stage?</p>	<p>Ofgem: We start the ITT Stage process when we do in order that projects have reached a certain stage of construction and been able to undertake as much snagging as possible (as well as provide as much information into their project specific data room as possible). Notwithstanding this, issues may still arise and these will be managed as and when they emerge. We would urge and expect these to be resolved in a very expedient manner.</p>
<p>1. Will there be a developer offer for the O&M works? If so, does the developer already have an indicative price?</p>	<p>NnG:</p> <ol style="list-style-type: none"> 1. Yes providing a fully priced offer. 2. Not decided yet; will take into consideration.

<p>2. Will the developer or other involved parties be offering shared offshore logistics to the OFTO at possibly a fixed price per seat?</p>	<p>DBA: Please see presentation for further detail</p> <p>Moray West Already answered in slides. Confirmed providing a full O&M proposed that will be competitive with the market. If bidders choose not to go with their proposal, then they will work constructively with the PB.</p>
<p>Neart na Gaoithe (NnG) specific questions</p>	
<p>Does the water depth at the offshore substation cause an issue with the cable protection system to the J-tube, especially with regard to the recent subsea cable failures associated with cable protection systems impacting the insurability of all cable protection systems?</p>	<p>NnG: Robust cable protection system design for all of the cables (both export and array cables). The cables are buried as far as possible up to the J-tubes; have also undertaken relevant scour protection studies, to ensure a robust design with safety factor considered.</p> <p>They are aware of the issues in the industry and have taken the relevant precautions.</p>
<p>What issues have caused the NnG project to be delayed for so long?</p>	<p>NnG: There has been a range of issues that has resulted in delays to this Project, however the major one that impacted the entire world is, of course, Covid. A key part of this were the knock-on delays with the supply chain been a cause; issues with supply chain</p>
<p>I understand that 220kV export voltage level was chosen based on cost. Wouldn't be better 275kV</p>	<p>This was considered too detailed for this session and was agreed to follow-up after the event</p>

<p>export cable to be chosen for less losses. The developer doesn't have any initiative to reduce the export cable losses as the plant is metered at 66kV.</p>	
<p>Will NNG be conducting a post construction depth of burial survey for the export cable?</p>	<p>NnG: Confirmed – yes, a survey of this nature will be carried out.</p>
<p>Dogger Bank A (DBA) specific questions</p>	
<p>What redundancy is there on Dogger Bank cables, fibre and substation (compared with NnG for instance)?</p>	<p>Further details on this are set-out in the Dogger Bank A Information Memorandum (which can be accessed by first registering to the Bravo e-Tendering portal, expressing your interest in the TR10 EPQ Stage, followed by downloading, completing and returning a Confidentiality Agreement for this project).</p>
<p>What is the level of availability determined for the OFTO connection.</p>	<p>DBA: Design of the whole system (for main components and supporting systems) to have the right levels of reliability, which is designed on redundancy in some of those systems to achieve the target availability. The entire system, including main equipment and auxiliary systems is designed for reliability, with redundancy where appropriate, to achieve the target availability'</p> <p>Some further details are set-out in the Information Memorandum, but otherwise more detailed information will be provided at the ITT Stage.</p>

<p>What is the O&M spares strategy for the Dogger Bank A HVDC converters?</p>	<p>DBA: Further details will be provided on this at the ITT Stage of this Project.</p>
<p>Will Equinor be offering any availability warranty as part of its £1 O & M Offering</p>	<p>DBA: Further details will be provided on this at the ITT Stage of this Project.</p>
<p>Will sub-sea cable surveys be uploaded as part of the OMA scope for Dogger Bank.</p>	<p>DBA: Further details will be provided at the ITT Stage, when the O&M strategy is provided to bidders.</p>
<p>What is the level of technology maturity of the HVDC equipment?</p>	<p>DBA: This is the fifth generation of this technology that Hitachi have developed. Both SSE and Equinor have experience of some of the earlier iterations of this technology and to note, that this isn't the first time that this technology has been deployed, so it is very much at a high state technology readiness, and ready for this commercial deployment.</p>
<p>Very interesting proposal on the £1 O&M services for the OFTO. In the past developers have not been allowed to put forward such proposals? Has there been a change in the OFTO framework to allow such offer?</p>	<p>Ofgem: Over the last several tender rounds this approach has been acceptable. Further details of what this will look like for Dogger Bank A, will of course be available as part of the ITT Stage for this project.</p>

<p>What if the OFTO declines the O&M offer, even if at £1? Where does that leave the Developer?</p>	<p>Ofgem: This is something for Bidders to assess whether they are interested in the commercial offer proposed. Where this was not accepted by the winning bidder, then the developer will work with them to progress the transaction.</p>
<p>Has the developer included a spare phase onshore transformer as is common for interconnector HVDC projects.</p>	<p>DBA: Yes there is a spare single stage phase transformer. How this is treated from an OFTO point of view will be subject to the ITT Stage and negotiations thereafter.</p>
<p>There were no Moray West-specific questions asked.</p>	