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Revised Minded-to Decision and further consultation on delivery models in Pathway to 2030

Consultation Response: Vattenfall

CC: Offshorecoordination@ofgem.gov.uk

Dear Cher-Rae Fairlie, Viljami-Yli-Hemminki and Richard Johnson,

Vattenfall is a leading European energy company with approximately 20,000 employees across Northern Europe and growing numbers in the UK. For more than 100 years we have electrified industries, supplied energy to people's homes and modernised our way of living. We now want to make fossil-free living possible within one generation.

We have been investing in the UK for more than ten years, and with £3.5bn invested, we have grown our wind business from one project in 2008 to eleven today and now operate more than 1GW of wind and solar power capacity, with around 5GW in the pipeline including one of the UK's largest offshore wind zones and a commercial scale floating offshore wind scotwind project (alongside joint venture partner Fred Olsen).

We welcome the opportunity to respond to Ofgem's Revised Minded-to Decision and further consultation on delivery models in Pathway to 2030. Overall we support the move towards a more coordinated offshore grid and believe that this approach aligns with the Offshore Transmission Network Review objectives, in the longer term benefitting bill payers and communities.

We broadly agree with Ofgem's revised Pathway to 2030 proposals including the introduction of a late competition OFTO build model for non-radial offshore assets and the extension of AI policy to Pathway to 2030 projects.

Please find our full response below.

If you have any queries on our response, please feel free to contact me.

Yours faithfully,

Alwyn Poulter

Public and Regulatory Affairs Manager

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Question 1: Do you support the introduction of a late competition OFTO build model for non-radial offshore transmission assets?

Vattenfall supports Ofgem's revised minded to position to include the introduction of the late competition OFTO build model for non-radial offshore transmissions assets.

We believe that this decision allows developers to determine the best delivery model for their coordinated grid delivery and is in line with the models available to radially connected offshore wind farms.

We note that Ofgem expect that coordination between stakeholders will be required in order to ensure that projects are delivered in an efficient manner, and we agree with this position. We note that this may require a body to help lead the stakeholder coordination and clarify lead parties and interface points (in particular in relation to the Detailed Network Design (DND)) and believe that this could be a role for the ESO or Ofgem.

We agree that the late competition OFTO build model will require further development by Ofgem and we believe that this should be prioritised in order to allow projects to utilise this route for pre-2030 grid connections. We would also encourage Ofgem to indicate by which point developers need to agree on the most appropriate delivery model.

Lastly, we support the inclusion and clarification that the Pathway to 2030 delivery models will apply to both the HNDfUE and the Celtic Sea leasing round. However, there is a still outstanding uncertainty around the delivery model for the INTOG round.

Question 2: Do you support the extension of AI policy to the projects in scope of the PT2030 workstream?

Vattenfall welcomes and agrees with Ofgem's decision to extend the Anticipatory Investment (AI) regime to Pathway to 2030 projects. We believe that this decision will help to commercially de-risk coordination.

We especially welcome the reference to ex ante cost disallowance for coordinated AI and believe that this will go some way to removing the significant hurdle posed by ex post cost disallowance in relation to anticipatory investment. More generally, we would welcome the opportunity to work with Ofgem during the ex ante stage to reduce the level of cost disallowance in the transmission design.

We note that the assessment by Ofgem will be indicative and therefore developers will still need to seek comfort that they do not face ex post cost disallowance risk before progressing with AI works. We still believe that ex post cost disallowance, on investment that is delivering infrastructure for a third party, is a significant risk to the delivery of future AI works.

Question 3: Do you agree with the proposed mechanics of charging (see Appendix 1) to take account of coordinated infrastructure?

We welcome and agree with Ofgem's proposed changes to the TNUoS charging mechanisms that reflect the impact of Anticipatory Investment (AI). Broadly we support a charging methodology, and principle, that ensures parties who deliver AI are kept whole.

We note that Ofgem has considered the impact of changes to infrastructure prior to the later user connecting and the relevant commercial agreements. Currently grid agreements are between two parties and therefore Ofgem may need to consider how a third party interacts with this bilateral process. Similarly, to the point made in question 1, this may require a body to lead the coordination effort.

We agree that the offshore 'MITS node' methodology needs further consideration to ensure that the cost of offshore transmission is fairly distributed between users, especially where transmission infrastructure is mainly providing onshore boundary relief as opposed to only connecting offshore wind farms or where costs can clearly be attributed to individual assets with different characteristics.

We agree with the principle of pro-rata charges based on asset capacity (TEC). However, we note that the proposals around AI cost gap where unused capacity is charged to the second user requires additional consideration, alongside consideration of the associated TRS length for the second user. We believe that Ofgem's proposed approach is not consistent with onshore charges. We note that users will not completely align on connection timescales and often development delays are outside of the developer's control, therefore for onshore these costs are socialised. Attempting to allocate these costs over multiple assets may create disincentives to coordination and unintended consequences.

More generally we note that developers require early certainty on TNUoS charging methodology in relation to Pathway to 2030 projects to ensure that these cost can be adequately factored into commercial decision making and programme timings.