

TRANSMISSION CAPITAL PARTNERS

Offshore.coordination@ofgem.gov.uk

26 January 2023

Dear Cher-Rae,

Response to Minded-to Decision and further consultation on Pathway to 2030

Transmission Capital Partners (TCP) is a joint venture formed between Amber Infrastructure Limited and Transmission Investment with in-depth knowledge of financial, technical and regulatory issues associated with transmission in Europe and with a proven investment manager track record.

TCP owns one of the largest offshore electricity transmission portfolios, including the connections to ten offshore wind farms, and we will see a further offshore wind connection transferred in 2023 – in total we currently have a portfolio of approximately 3GW and £2.6bn in capital employed. We are one of the largest offshore wind transmission businesses in GB, which is the largest offshore wind market in the world.

We welcome Ofgem's consultation setting out the revised minded-to decisions. The consultation asks for responses to three questions.

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

We agree with Ofgem's revised minded-to decision to retain two options for non-radial offshore transmission delivery: the very late model and the late competition OFTO build option.

2. Do you support the extension of AI policy to the projects within scope of the PT2030 workstream?

Yes, we conditionally support the extension of the AI policy, provided that the OFTO to which the AI is transferred is held whole against the risks identified in our response with regard the connection of the later developer.

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

We would encourage Ofgem to clarify that the intent of the mechanics of how transmission charges are calculated is not to modify the Tender Revenue Stream that will be received by the OFTO. These should remain independent of whether or not the transferred assets contain AI.

We provide more detail to our response in the attachment below.

Yours faithfully,



Mark Fitch

TI Corporate Development and Regulation Manager for and on behalf of Transmission Capital Partners

TRANSMISSION CAPITAL PARTNERS

ATTACHMENT – RESPONSE TO CONSULTATION QUESTIONS

Chapter 4. Revised Minded-to Decision on Delivery Models in PT2030

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

We agree with Ofgem's revised minded-to decision to retain two options for non-radial offshore transmission build: the very late model and the late competition OFTO build option.

We would encourage Ofgem to move rapidly to develop the relevant tender regulations and processes to support the late competition OFTO build option to avoid delay in using that route. This work would also be of benefit in developing the Late CATO build, for the few projects that have not been exempted from competition.

Chapter 5. Minded-to Decision on Anticipatory Investment in PT2030

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

Yes, we support the extension of the AI policy, provided that the OFTO to which the AI is transferred is held whole, and not exposed to the risk that the later developer decides not to connect. The OFTO must also be allowed to recover all costs, over and above the AI investments made by the first developer, required to complete the connection of the later developer, for example, to accommodate changes to the wind farm final design or specifications that may be made in the time between the specification of the AI and the later developer connecting. The OFTO should also be held harmless for any reduced availability to the first developer, for outages taken to connect any later developer.

The OFTO licence, through the incremental capacity/investment incentive, contains provisions to allow the licensee to recover incremental costs associated with connecting a user, where it enters into an agreement with the system operator under the STC. The current proposed licence change would allow this clause to be used where no incremental capacity is released, when entering an agreement under SLC E17. It is currently unclear how the industry arrangements work for AI, including when and whether the later user enters into an agreement with the system operator for its connection (for example, where the later developer is connecting to the first developer's network before an OFTO is appointed, or where the point of connection remains with the first developer and does not form part of the OFTO) and as such how the current licence terms and codes will apply. The provision under which the later developer connects is important to the OFTO, because there are limited circumstances under which the OFTO can trigger incremental revenue for cost recovery under its licence. An OFTO, to which AI is transferred, must have the opportunity to recover all the incremental costs associated with facilitating the connection of the later developer, where this is required in addition to AI, regardless of how the connection is achieved within the industry framework.

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

The OFTO revenues should be independent of the decisions on how the AI is charged for. Ofgem states in paragraph 1.4 of Appendix 1, that the initial user would pay a reduced TRS. This would be unacceptable, and while the contribution from the initial user may be lower, the OFTO would remain entitled and would receive the full TRS regardless of the choice of whether this was recovered from specific user(s) or the residual demand charge. We would seek clarification from Ofgem as to its intent and to confirm the OFTO would not bear any risk regarding user commitment or shortfalls in TNUoS.