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Dear Offshore Coordination Team,

Re: RWE's response to Ofgem's Revised Minded-to Decision and further consultation on delivery models in Pathway to 2030About RWE

RWE is a leading energy player with four main operating companies, of which three are active in the UK, including RWE Renewables, one of the world's leading renewable energy companies.

In the UK, RWE employs over 2,600 people and generates enough power for over 10 million homes, with a diverse portfolio of onshore and offshore wind, hydro, biomass and gas across England, Scotland and Wales. For a broad picture of the scale of our projects in the UK and Ireland, please see our infographic [here](#).

We have an ambitious commitment to expand our renewables portfolio in the UK, with around one-third of our planned global gross capex spend by end-2022 being invested into the UK. This is mostly on offshore wind, including our flagship Triton Knoll and Sofia projects.

RWE and its project partners have also signed Agreements for Lease with The Crown Estate to extend our existing Gwynt y Môr (North Wales), Galloper and Greater Gabbard (Suffolk), and Rampion (East Sussex) offshore wind projects. Most recently, we were successful in securing Preferred Bidder status for two further offshore sites amounting to 3,000MW in the Round 4 Leasing Round by The Crown Estate. We also have a significant and growing onshore renewables presence, with over 600MW of onshore wind in operation across 33 sites. We have ambitious plans to expand this portfolio out to 2030.

Our key points of feedback in relation to this minded-to decision are:

- We support the inclusion of both the “very late competition – generator build” and “late competition OFTO build model” for non-radial offshore transmission assets. This now aligns with the existing options available for radial offshore transmission assets.
- We agree with the proposal to extend AI policy to the Pathway to 2030 workstream as opposed to introducing a new AI policy, however as set out in full in our response, we have a number of ongoing concerns with the current proposals.

- We consider there will be a need to share both engineering and cost information between developers to perform AI. We are keen to understand how Ofgem's policy on AI may be impacted by, or interact with competition law and the CfD rules. In our response we suggest that there are a number of steps that Ofgem and BEIS could take that would help to clarify the position for developers.

Please find our response to Ofgem's consultation questions below.

Kind regards,

Lois Leslie

Senior Regulatory Affairs Manager, RWE Renewables

Revised Minded-to decision on Delivery Models in Pathway to 2030

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

We support the inclusion of both the “very late competition – generator build” and “late competition OFTO build model” for non-radial offshore transmission assets. This now aligns with the existing options available for radial offshore transmission assets.

We also support the application of this minded-to decision to HND and HND FUE projects, including Celtic Sea.

In the *Additional draft impact assessment* accompanying this consultation Ofgem states that the risk of delay for projects in the Pathway to 2030 workstream, due to the time needed to develop the “late competition OFTO build delivery model” is now reduced. Ofgem states that this is because the Asset Classification Decision in October 2022 has confirmed there are only a small number of projects that require offshore non-radial connections.¹

Whilst we note only a small proportion of the HND projects will be impacted by the need to deliver non-radial offshore transmission assets, we encourage Ofgem to provide clarity on how it will ensure timely development of the regulatory regime for the “late competition OFTO build delivery model”. It is important to ensure that if a project(s) decides to utilise this option, it is a viable alternative and does not result in further delays.

More generally, we encourage Ofgem to consider how and when decisions on the delivery model will be required by developers and whether this will follow the current process under the radial OFTO regime. In particular, this process should consider how these decisions should be made when multiple developers are impacted/reliant on shared infrastructure.

Question 2: Do you support the extension of AI policy to the projects within scope of the Pathway to 2030 workstream?

AI Policy Proposals

We agree with the proposal to extend AI policy to the Pathway to 2030 workstream as opposed to introducing a new AI policy, however we have a number of ongoing concerns with the current proposals.

Sharing AI risk and costs

As set out in our response to the Ofgem’s “Minded-to Decision on Anticipatory Investment and Implementation of Policy Changes for the Early Opportunities workstream” in June 2022, whilst we agree that AI costs should be recovered from consumers if the later user fails to connect. We encourage Ofgem to consider how the AI Cost Gap would be treated if the later user fails to connect but a new secondary later user comes forward at a later stage.

AI Cost Recovery

We consider that any AI required for coordination must be assessed and approved by Ofgem on an ex-ante basis in order for the developer to proceed with any proposed AI. We consider

¹ In its draft impact assessment in summer 2022 Ofgem assumed ~19GW of projects would be delivered by offshore non-radial transmission assets. The Asset Classification Decision has confirmed only ~4.5GW of projects will actually be delivered by offshore no radial transmission assets.

this is even more pertinent when the AI policy applies to the Pathway to 2030 workstream as well as the Early Opportunities workstream. This is because in the Pathway to 2030 workstream coordination (and therefore AI) is mandated and not voluntary as in the Early Opportunities workstream.

The current policy proposal for the recovery of AI costs places an unacceptable commercial risk on the initial user (whereby the initial user is not able to recover 100% of the AI costs incurred on behalf of a third party and is subject to an ex-post cost assessment). We are concerned this will become a commercial blocker to projects progressing, undermining coordinated grid and the objectives of the OTNR.

Developers need to have certainty that costs associated with AI proposals for coordination will not be disallowed at the OFTO cost assessment. Ofgem already assesses costs on an ex-ante basis in other regimes (C&F and LOTI) and we propose that a similar approach is used to assess AI costs. The aim should be to create a level playing field regarding risk allocation whether grid is delivered by a developer, an OFTO or a TO.

We consider there are a number of ways Ofgem could do this. Similar to the C&F regime, Ofgem could carry out a two stage assessment on costs and provide an allowance on an ex-ante basis. Alternative as under the LOTI regime, an ex-ante cost assessment process could be carried out to determine the economic and efficient costs that can be recovered. We recognise there are a number of different approaches that could be considered and look forward to engaging with Ofgem further on this topic.

Information Sharing

As highlighted in paragraph 5.20 of this Consultation developers are concerned that there will need to be an exchange of information to allow AI to take place.

We consider there will be a need to share information in two key areas:

1. Engineering Information
 - a. AI will involve two developers discussing the engineering information that is required to install and commission the most economic, co-ordinated and efficient engineering solution.
2. Cost Information
 - a. AI will involve one developer incurring costs on behalf of another, information related to shared grid infrastructure will therefore need to be shared between developers for the purpose of entry into a CfD allocation round.

We are keen to understand how Ofgem's policy on AI may be impacted by, or interact with competition law and the CfD rules.

We consider that this is not solely a BEIS issue, as information sharing relates to more than just the CfD. We suggest that there are a number of steps that Ofgem and BEIS could take that would help to clarify the position for developers:

- In relation to engineering information, Ofgem could confirm that effective AI will involve two developers discussing the engineering information that is required to install and commission the engineering solution. This has not been expressly recognised in the consultation or decision papers relating to the development of the AI policy to date.

- In relation to cost information, Ofgem and BEIS could confirm that the sharing of necessary cost information would not be regarded as an infringement of competition law and/or be regarded as anti-competitive behaviour for the purpose of a CfD allocation round.
- Ofgem and BEIS could provide clarification on what “necessary” cost information would include. For example, Ofgem and BEIS could clarify that the costs relating to assets that will be for the sole and exclusive use of one developer should not be shared, but that costs information relating to any asset that will form part of the AI and/or will not be exclusively used by one developer do fall within the category of “necessary”.

User Commitment Extension

As set out in our response to the Ofgem’s “Minded-to Decision on Anticipatory Investment and Implementation of Policy Changes for the Early Opportunities workstream” in June 2022, we agree that for projects funded by AI user commitment arrangements should be extended to the later user. We agree with the extension of this to the Pathway to 2030 workstream.

We think clarity will be needed on how user commitment arrangements will be determined when there are multiple “later users”. Noting that the later users may not be limited to an offshore wind generator.

Early Stage Assessment Process

We agree that the extension of the early stage assessment process is appropriate. We request that this is developed and implemented as quickly as possible to enable timely progression of projects.

We encourage Ofgem to consider how the early stage assessment process will need to be adapted for Pathway to 2030 workstream to allow for coordination between multiple users which may be at different stages of development. For example, how the lead developer/applicant is determined, to what extent developers need to formalise coordination arrangements e.g. form a consortium and how this will apply where one project is more developed than another, i.e. one has consent and the other does not.

We also consider Ofgem should set out in its Guidance document when and why a consultation is required as part of the early stage assessment process. If the anticipatory investment proposal aligns with the solution presented in the HND, we are unclear on the need for consultation. We are concerned a public consultation may add to the length of this assessment process. In Ofgem’s “Minded to Decision and further consultation on Pathway to 2030” in May 2022, it stated that only where a proposal differs significantly from the HND would a consultation be issued. We think this positions remains appropriate and should be clarified in the Early Stage Assessment Guidance document.

It is important to note that as the assessment process is intended to take place in advance of the DCO envelope being finalised there is a risk some of the information submitted may change. For example, details of designs may change through the development process. We encourage Ofgem to recognise this and that examples of material amendments or updates that would trigger the need for a re-assessment should be clearly set out in Guidance and consulted upon

We encourage Ofgem to detail in Guidance the process that would be followed if the proposed design of an offshore transmission system is not deemed economic, efficient and coordinated, this process should also be consulted upon, in line with Ofgem's own principle that consultation is at the heart of good policy development.

Q3: Do you agree with the proposed mechanics of charging to take account of coordinated infrastructure?

Anticipatory Investment – Cost apportionment between users

Currently – generators would pay local charges on a larger asset, and therefore face higher TNUoS charges than would have been the case had AI not taken place. A methodology must be devised to ensure this is not the case. However, we are not clear that using the ratio between a generator's capacity, and the capacity on the cable is a cost-reflective means for apportioning cost. For example, in circumstances when onshore generators make use of the offshore network.

We would expect the basis of offshore charges to be a subject for the forthcoming OTNR subgroup looking at offshore charges, and the subsequent CUSC workgroup (both of which we hope OFGEM will be able to participate in). We believe that these are the appropriate fora for addressing such an issue, and it is important for the various options to be fully evaluated ahead of a decision that will have such a material impact on offshore projects.

AI where one user is a network licensee

The consultation seems to imply that the entire cost of additional capacity will be recovered through the TNUoS demand residual, as opposed to being partially also met through the generator and demand locational charges. We would ask for clarity that OFGEM's intention is to continue with the same methodology as is used for the onshore network – that charges are based on users modelled flows, with any under-recovery being collected through the demand residual.

Changes to infrastructure prior to a later user connecting

The process set out appears to be a logical approach, however consideration must be given to the process for resolution if the two connecting parties are unable to agree to changes and associated costs.

Extension of the Main Integrated Transmission System

We would support the consideration of a new definition of an offshore MITS node to recognise the nascent status of the meshed offshore network. Wherever a generator is connected to the MITS, it should be exposed to a wider generator charge. Wherever new MITS nodes are created offshore, assessment must be carried out as to if these meet the £1/kW tolerance (or other appropriate tolerance level) with existing onshore zones. Wherever they do not meet the predetermined tolerance, new zones must be created. This could occur as part of a wider rezoning exercise, or could happen independently

Interaction with the €2.50/MWh annual average limit on generator transmission charges

As a high level principle, offshore assets should be treated consistently with onshore assets. In the longer term, interaction with the €2.50/MWh cap (838/2010) needs consideration to ensure the case-by-case basis does not cause an undue level of volatility and unpredictability in TNUoS tariffs. Greater transparency about how the case-by-case

decisions are made would support predictability. A firm recommitment to the cap by OFGEM and government would also support this.