

Email to:
offshore.coordination@ofgem.gov.uk



02 February 2023

Dear Cher-Rae/Viljami,

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

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs, social benefits and reduce the carbon emissions which cause climate change. Our 330 plus members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

Scottish Renewables welcomes the opportunity to provide our view on the proposals outlined in this revised minded-to decision on the Pathway to 2030 workstream. As stated in our response to the minded-to decision¹, we believe that the revised positions laid out in this consultation represent a positive step forward. **We have responded to your individual consultation questions further below, but in summary, we would like to draw your attention to the following points:**

- We welcome the changes in the revised minded-to decision to include greater flexibility in the project delivery build models. We are glad to see that alongside the 'very late option – generator build' delivery model, Ofgem has allowed for an Offshore Transmission Owners (OFTO) build route for coordinated projects. This will allow developers to take a commercial decision between build models based on their view of the risk and deliverability.
- We caution that while the clarity provided by the extension of the Anticipatory Investment (AI) regime to PT2030 projects is welcome, it does not eliminate the challenge of asking developers to coordinate. This is still likely to be a potentially lengthy and complex process, both on commercial and technical level. The AI regime must be finalised, and the concerns of members addressed, particularly around cost sharing; information sharing in the context of competition law and how it will interact with builds involving more than two developers.
- We welcome the clarity provided on the extension of the application of this decision to include all projects within the scope of the HND and HND Follow Up Exercise, including the Celtic Sea projects. However, there is still outstanding uncertainty around the delivery model for the INTOG round. We are calling for Ofgem to be clear on this.
- Scottish Renewables welcomes and agrees with Ofgem's proposed changes to the TNUoS charging mechanisms that reflect the impact of Anticipatory Investment (AI).

Scottish Renewables would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

¹ https://www.scottishrenewables.com/assets/000/002/471/SR_response_Pathway_to_2030_-_FINAL_original.pdf?1657883877

Yours sincerely,

Stephen McKellar

Stephen McKellar

Senior Policy Manager | Grid & Systems

Scottish Renewables

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

Scottish Renewables support the addition of the “late competition OFTO build model” for non-radial offshore transmission 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 encourage Ofgem to quickly provide more information on the regulatory regime for the development of the late competition OFTO build model, so that developers clearly understand their options and to help prevent delays. As a part of Ofgem’s review that led to this revised minded-to-decision, we also trust that consideration was given to all the delivery models that were previously considered considering the new information available.

We also encourage Ofgem to further lay out the delivery model framework, and when developers will be required to decide on which delivery model to follow. This is again particularly pertinent given the additional complexities involved in two (or more) developers working together to deliver non-radial transmission assets.

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

The late competition OFTO build model will require further development by Ofgem and we believe that this should be prioritised to allow projects to utilise this route for pre-2030 grid connections.

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 still outstanding uncertainty around the delivery model for the INTOG round. We are calling for Ofgem to be clear on this.

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

Scottish Renewables welcomes the decision to extend the AI policy to the projects within the scope of the Pathway to 2030 workstream, as the additional complexity of a new policy is not necessary. However, we remain concerned about several aspects relating to the deliverability of the policy as it currently stands.

We believe that there is a need for anticipatory investment by developers for the benefit of a competitor to be given ex-ante approval by Ofgem for commercial risks to be mitigated. Developers cannot be expected to make significant investments on another’s behalf without full confidence that they will recover 100% of their outlay. Failure to address this may result in delays in the project progression due to developers’ risk appetite.

We also have concerns regarding the need for developers to share commercially sensitive information, both engineering designs for the effective connection of two projects, as well as costs incurred by one developer on behalf of another. It is important that there is clarity from both Ofgem and BEIS in relation to this to ensure that developers are aware of how the AI policy will interact with competition law and the CfD process. Scottish Renewables requests that Ofgem and BEIS issue guidance that specifically addresses developers’ concerns around competition law and CfD rules,

clarifies what information can be shared as part of AI, and lays out a framework of how this should be done.

Also, unlike the 'Early Opportunities' workstream, which will involve no more than two developers working together to deliver a transmission asset, the PT2030 workstream and beyond may involve cooperation between multiple (2+) developers all sharing transmission assets to connect to the onshore network. This will add complexity to the AI process. For example, in the user commitment extension when there will be multiple 'later users,' and in the Early-Stage Assessment Process where multiple users beyond the initial and later user will be required to coordinate. As the offshore grid moves more and more to non-radial connections, these issues are going to grow in importance. Scottish Renewables recommends that Ofgem issues further guidance which addresses how multiple developers will interact in the AI policy.

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 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?

Scottish Renewables welcomes and agrees 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. We note that 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 also 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.

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