

Copenhagen Infrastructure Partners' (CIP) response to Ofgem consultation - Revised Minded-to Decision and further consultation on delivery models in Pathway to 2030

26 January 2023

Dear Cher-Rae,

About CIP

Founded in 2012, Copenhagen Infrastructure Partners P/S (CIP) today is the world's largest dedicated fund manager within greenfield renewable energy investments and a global leader in offshore wind. The funds managed by CIP focus on investments in offshore and onshore wind, solar PV, biomass and energy-from-waste, transmission and distribution, reserve capacity, storage, advanced bioenergy, and Power-to-X. CIP manages ten funds and has to date raised approximately EUR 19 billion for investments in energy and associated infrastructure from more than 140 international institutional investors. CIP has approximately 400 employees and 11 offices around the world.

General remarks

CIP is grateful to Ofgem for a further opportunity to comment on its evolving thinking regarding delivery models in Pathway 2030.

Within the UK, CIP is, via its dedicated fund Copenhagen Infrastructure IV, currently developing two floating offshore wind projects, the 100 MW Pentland project and the 3.6 ScotWind project - 'Ossian' (along with SSE and Marubeni).

In CIP's original remarks in Summer 2022, we agreed with Ofgem's then 'minded to' position, to introduce a late generator build model for delivery of the holistic networks.

We went on to note that *"coordinated and holistic solutions are best reached through collaborative and collective efforts between all stakeholders, and that the most cost efficient and timely delivery of the works can best be achieved through generator build models."*

CIP also noted:

"We feel that the ultimate objective of net zero should be kept in mind with a view to the more important 2050 net zero targets. Creating a flexible and agile network design for 2030 would not only allow us to achieve the interim targets but also position national infrastructure well for delivery of the ultimate objective."

"Too rigid a design or design process, based on a single background scenario, creates both short-term delays in delivery, due to inflexible approach, and long-term inefficiencies in the

asset build out due to likely regret costs that would result. As such, we would suggest that the approach of Pathway to 2030 and Enduring Regime is appropriate but that the holistic network solutions need to be transparent and agile to allow for adjustment as and when development dates and TEC are altered.”

With these previous remarks in mind, CIP broadly welcomes Ofgem’s revised minded to stance and is encouraged by its recognition that its position must adapt to reflect not only industry commentary, but the emergence of the HND and Ofgem’s own policy in relation to Anticipatory Investment.

However, CIP would emphasise that Ofgem must clearly distinguish between longer term ‘solution’ and short term ‘fix’. CIP is fully supportive of the principle of minimising abortive costs (and costs to taxpayers), but developers need to be reassured that their commercial imperative to accelerate projects is not overlooked. Taking ScotWind as the example, (and assuming the shared goal is to maximise the opportunity), CIP considers that implementing measures to ensure delays to these projects are minimised are of equal if not greater importance than the ensuing regulatory regime changes designed to deliver improvements over the longer term.

CIP broadly welcomes proposals to introduce late competition OFTO build model for delivery of non-radial assets, to extend the scope of AI policy, and to include projects within the scope of the HND and HND FUE. CIP also notes that ‘refining and applying’ its asset classification methodology affords Ofgem greater confidence in determining that offering late stage OFTO build option is appropriate.

Together, these proposals move towards addressing the caveats CIP attached to its original remarks. In adopting these revised ‘minded-to’ positions, Ofgem would potentially offer a greater degree of flexibility and confidence to projects which might have the appetite to co-operate but face difficulties aligning as a result of being on different development trajectories.

CIP’s primary caveat in supporting the revised ‘minded-to’ position is that further work is required to agree the way in which early users connecting to assets harnessing AI will recover costs and share information. (This would be particularly pressing in instances where there are multiple projects pursuing collaboration). In principle, the first build out developer should not be disadvantaged by carrying unbalanced risk prior to entering a CFD auction. Risks should be fairly apportioned between all stakeholder groups. CIP welcomes the opportunity to input into this ongoing discussion.

CIP also notes that there is little reference in the revised minded-to position to utilise scenario planning and digital least regrets modelling to provide a more informed investment decision. This would create a more equitable and transparent way to create a coordinated design, by allocating TEC to offshore developers and reducing the risk that UK consumers hold significant regret cost risk for stranded assets.

Consultation questions

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

CIP is broadly supportive of the measure and the principle of providing additional flexibility and bandwidth for developers to take a commercial decision based on their view of the risk and deliverability associated with each project.

However, CIP would like to understand in greater depth whether consideration has been given to instances where there is disagreement between ‘collaborating’ projects, and how this would be resolved, prior to transfer of assets?

If this proposal is adopted, it will be important for Ofgem to move quickly to set out how the regulatory regime underpinning OFTO build will work, so that projects can incorporate into their planning as quickly as possible.

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

CIP is broadly supportive of this proposal as it will contribute to managing risk that initial users’ needs to take. It would be helpful to understand that any extension would need to be underpinned by the timely introduction of an early-assessment process, including contents to be submitted and evaluation criteria. We would also note our above general remarks in relation to confidence in full cost recoverability being achievable, and how information sharing will be managed for projects where there are potentially multiple users.

Question 3: Do you agree with the proposed mechanics of charging to take account of coordinated infrastructure?

CIP broadly agrees in principle both with Ofgem’s assessment of the challenges facing individual projects and its approach to charging mechanics (set out in Appendix 1 – Anticipatory investment charging regime options sections 1 – 1.5). CIP contests Ofgem’s assertion that the application of HND and HND FUE has largely set the parameters for collaboration (and therefore that it creates certainty). While CIP notes that “There is no expectation that AI will be developed or applied to the highly speculative AI (e.g., undetermined or unknown future projects)”, arguably, in the case of Celtic Sea for example, the total opportunity envisaged is far larger (20GW by 2045)¹, and the success of the developable opportunity turns on achieving deployment to that level, and only to that level (or near to it).

CIP agrees in principle that “users should pay charges in respect of the assets utilised relative to their capacity/utilisation.” ... and “that there is merit to a charging framework that splits the costs of shared assets between specific users based on their effect on the shared asset, i.e., based on the capacity of their plant as compared the capacity rating of the assets deployed.”

However, CIP is continuing to assess the potential implication of these mechanics and welcomes further opportunities to assist Ofgem in developing its approach.

Best regards



Alan Hannah COP Partner and Managing Director UK, on behalf of CIP

¹ The Crown Estate, July 2022

