
Offshore Transmission Network Review: Revised 'Minded-to' Decision and further consultation on Pathway to 2030

Response from The Crown Estate

January 2023

1 Summary

The Crown Estate welcomes the publication of Ofgem's revised minded-to decision and further consultation on key aspects of the Offshore Transmission Network Review's 'Pathway to 2030' regulatory framework. Enabling greater choice in the delivery models for offshore transmission infrastructure should lead to more efficient outcomes for all parties, including end consumers.

1.1 Key messages

- We support the introduction of the late competition OFTO build model for non-radial assets. We ask that Ofgem considers developing guidance to support timely commercial decisions by offshore wind developers (and wider stakeholders), given this is a new regulatory model.
- Beyond Pathway to 2030 delivery models, we offer to work with Ofgem to consider ways in which earlier OFTO build competition could be introduced to accelerate the delivery of offshore transmission infrastructure, including how this process works alongside our leasing activity.
- We also support the extension of Ofgem's policy on anticipatory investment for offshore transmission to projects within the scope of the Pathway to 2030 workstream, which provides alternative means for developing non-radial infrastructure.
- We welcome Ofgem's confirmation that projects falling within our Celtic Sea Floating Offshore Wind programme¹ will be included with the Pathway to 2030 regime. This provides greater certainty on both the delivery models and broader regulatory framework that will apply to offshore wind projects that emerge from that round of seabed leasing.

The Crown Estate is working closely with National Grid Electricity System Operator (ESO) to support the development of the Holistic Network Design Follow Up Exercise (HNDfUE) in the Celtic Sea region, and we expect this – along with confirmation of the applicable regulatory framework – will support more efficient deployment of offshore transmission

¹ [Floating offshore wind | Floating offshore wind \(thecrownestate.co.uk\)](https://www.thecrownestate.co.uk/floating-offshore-wind)

infrastructure. Our work with the ESO in this regard should also help support the transition to an enduring framework for future offshore transmission infrastructure.

2 The Crown Estate

2.1 Who we are

The Crown Estate is a purpose-driven and unique business with a diverse portfolio. We manage the seabed and around half the foreshore in England, Wales and Northern Ireland, playing a fundamental role in the sustainable development of these important national assets and using our data and evidence to facilitate co-location and greater spatial coordination between activities.

Our ownership also includes a substantial rural portfolio, and the Windsor Estate, including the world-renowned Windsor Great Park. Alongside this, we operate some of central London's best places to work, shop and experience, as well as regional retail and leisure destinations across the country.

Established by an Act of Parliament, The Crown Estate works to create social, environmental and financial value, both now and for the future, for its customers, partners and the nation. We generate 100% of our net revenue profit for the benefit of the nation, contributing £3 billion to the public purse over the last ten years.

We have been working alongside Ofgem and BEIS as a Project Partner to the Offshore Transmission Network Review since its inception. We will continue to do so, bringing to bear our expertise in seabed leasing and wider capabilities to support the overall acceleration of offshore wind deployment and associated infrastructure.

2.2 Our purpose

As a business, we actively deliver against our purpose, which is to create lasting and shared prosperity for the nation. We believe we are well placed to create financial, environmental and social value holistically today and for future generations, by drawing upon our unique attributes to address long-term trends and national needs.

Combining our independence and scale of ownerships along with our ability to convene multiple stakeholders and take a long-term view with patient financial capital, we can play a significant role in creating and accelerating new opportunities – including for the growth of renewable energy.

We drive our purposeful activity through three strategic objectives, to:

- Take a leading role in stewarding the UK's natural environment and biodiversity,
- Be a leader in supporting the UK towards a net zero carbon future, and
- Help create thriving communities and renew urban centres across the UK

3 Our response

3.1 Responses to specific questions

We set out below responses to the questions set out in the consultation. This feedback is informed by our statutory duties, strategy and expertise – and we are happy to continue to engage and offer further input to support the review.

Q1: Do you support the introduction of a late competition OFTO build model for non-radial offshore transmission assets?

The Crown Estate supports the introduction of a late competition OFTO build model for non-radial offshore transmission assets. We consider that the development of coordinated grid connection solutions should result in more optimised outcomes for all stakeholders; and increasing the options available to developers should drive greater innovation and efficiency in delivery.

Whilst welcome, the introduction of this choice for non-radial offshore transmission is likely to introduce additional complexity into our leasing processes however, including the next process which will be for the Celtic Sea floating offshore wind programme. For example, within the leasing process, individual developers will not know other developers' plans for developing any non-radial offshore transmission when they bid, which could lead to inefficiencies and inaccurate assumptions. We ask therefore that Ofgem develops new regulatory instructions and/or guidance which would help offshore wind developers and wider stakeholders navigate this new delivery model and support commercial decision-making by offshore wind developers. We are keen and willing to work further with Ofgem to establish such guidance ahead of our next leasing round commencing.

Looking beyond the Pathway to 2030 regime, we envisage there could be opportunities to accelerate delivery of offshore transmission infrastructure, potentially in conjunction with our leasing activity – which we are evolving to support increased acceleration in the delivery of offshore wind. Whilst it is welcome that there is more choice now available for those developers in the Pathway to 2030 regime, we are mindful that there are some potential timing inefficiencies inherent in the developer-led non-radial option. For example, during our seabed leasing processes, no party will be incentivised to progress detailed network design activity for offshore transmission infrastructure given the uncertainty around other bidders' commercial intentions. Further, in the period after our seabed tender process has concluded, there may be an extended period where successful developers take time to jointly decide on delivery models and their associated commercial arrangements (and indeed there could be frustrated commercial decision making and disputes in this process)². These challenges arise, in part, given that in accordance with current regulations, developers drive the choice of delivery model, and developers are unlikely to be able to make these decisions until such time that our leasing process has concluded and Agreements for Lease have been entered into. For these reasons, there may be benefit in introducing an earlier OFTO competition for non-radial offshore transmission which is not solely reliant on developer-choice. We appreciate this would be a departure from the current approach,

² We do recognise the option of a developer using the anticipatory investment process in such circumstances but that might be only after some months of delay / dispute.

but such a model could allow detailed network design works to be progressed as soon as possible after holistic network design and asset classification recommendations/decisions (or their successor activities) are made. We are keen to continue to work with Ofgem to consider delivery models that consider earlier competition that seek to support the overall acceleration agenda for offshore wind, including how these would interact with seabed leasing processes moving forward.

Q2: Do you support the extension of AI policy to the projects within the scope of the PT2030 workstream?

We welcome the extension of Ofgem's existing policy on anticipatory investment (AI) to projects within the scope of the Pathway to 2030 regime. This provides developers of offshore wind projects confidence that there is a robust mechanism in place to recover AI capex, which in turn should incentivise AI where it is necessary. It also provides an alternative where bilateral or multilateral commercial agreement between developers to develop non-radial offshore transmission is challenging or becomes frustrated through commercial dialogue.

Similarly to our response to Q1, we ask Ofgem to consider developing regulatory instructions and/or guidance to support decision making by developers on AI, given this is a new process which could support the overall acceleration agenda for offshore wind.

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

We do not have any comment on the proposed mechanics of charging for coordinated infrastructure. However, we suggest that Ofgem considers developing appropriate guidance on costing assumptions for non-radial transmission for use in competitive seabed leasing processes.

4 Concluding remarks

We trust that you will find our comments on the consultation constructive. We would be willing to engage further and provide additional information on any of the points we have raised.

All of this response may be put into the public domain and there is no part of it that should be treated as confidential.

Yours Sincerely,

A handwritten signature in black ink, appearing to be "Richard Clay", written in a cursive style.

Richard Clay,
Senior Manager, Energy Policy & Regulation