

Email to:
Cher-Rae Fairlie & Viljami Yli-Hemminki,
Offshore Coordination team,
Ofgem
offshore.coordination@ofgem.gov.uk

02 February 2023

Dear Cher-Rae and Viljami,

Revised minded-to decision and further consultation on Pathway to 2030

About RenewableUK

RenewableUK's members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 460 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and to access export markets all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

RenewableUK and our members welcome the opportunity to respond to this further consultation and revised minded to decision on the Pathway to 2030 workstream. As we stated in our response to the minded-to decision, we have strongly supported the work of BEIS, National Grid ESO and Ofgem during the Offshore Transmission Network Review (OTNR) process as it has progressed, and we will continue to do so. Our members have consistently called for a move away from an offshore transmission system that encourages point-to-point radial connections to a more coordinated network. It remains the case that we welcome that this consultation process sets out steps to help address this.

General points

- We welcome the changes in the revised minded-to decision to include greater flexibility in the project delivery build models. We are glad that alongside the 'very late option – generator build' delivery model, Ofgem has allowed for an 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 lengthy, and commercially and technically complex process. The AI regime must be finalised and concerns of members addressed, particularly around cost sharing and 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, which are critical to the future of floating offshore wind (FLOW) delivery in the UK and for achieving net zero in Wales.

Please see our response to the individual consultation questions below. RenewableUK are happy to engage further or arrange a meeting to discuss in more detail the content of this response.

Yours sincerely,

Peter McCrory

Policy Manager (Networks and Charging)
RenewableUK

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

We support the addition of the “late competition OFTO build model” for non-radial offshore transmission assets. We are happy that this now aligns with the options available for radial offshore transmission projects which has proven effective up to this point. 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 a consideration was given to all the delivery models that were previously considered in light of the new information available.

We also encourage Ofgem to further lay out the delivery model framework, and when developers will be required to take a decision 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.

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

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

First, 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 in order 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 developer risk appetite. Consideration should also be given to how costs would be treated should the later user fail to connect, including if an alternative user takes the place of the original later user.

Second, we have concerns regarding the need for developers to share commercially sensitive information, both engineering designs for the effective connection of two projects, and 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 how the AI policy will interact with competition law and the CfD process. RenewableUK requests that Ofgem and BEIS issue guidance that specifically addresses developer’s concerns around competition law and CfD rules, clarifies what information is able to be shared as part of AI and lays out a framework of how this should be done.

Third, 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. RenewableUK recommends that Ofgem issues further guidance which addresses how multiple developers will interact in the AI policy.

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

RenewableUK welcomes Ofgem's proposed changes to the TNUoS charging mechanisms that reflect the impact of Anticipatory Investment (AI), while noting that they are not considered final decisions. 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.

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 the ESO led TNUoS task force is currently on hold and look forward further to engaging on this topic at the earliest opportunity. We believe that there is need to reform the current TNUoS charging methodology as a whole. As it currently stands, TNUoS charging is not an appropriate mechanism to facilitate timely delivery of Pathway to 2030 projects.