

Decision on Pathway to 2030



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Decision on Pathway to 2030

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In December 2022 we published a Revised Minded-to Decision and further consultation for the delivery models to be used for non-radial offshore transmission under the Pathway to 2030 (**PT2030**) workstream of the Offshore Transmission Network Review (**OTNR**). This was published alongside an additional draft impact assessment.

This decision document summarises the responses to our Revised Minded-to Decision and further consultation and outlines our final decision on the delivery model(s) for non-radial offshore transmission assets under the PT2030 workstream.

In particular, it confirms our Revised Minded-to Decision to give developers the choice of either a very late competition generator build model or a late competition offshore transmission owner (**OFTO**) build model for delivery of non-radial offshore transmission assets. It confirms our Revised Minded-to Decision to extend the application of our Anticipatory Investment (**AI**) policy to assets within the scope of the PT2030 workstream.

Alongside this decision document, we have published a final impact assessment.

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Executive Summary

On 20 May 2022 we published a Minded-to Decision on delivery models within the context of the Pathway to 2030 (**PT2030**) workstream of the Offshore Transmission Network Review (**OTNR**)¹ (**our May 2022 publication**). We proposed that non-radial offshore transmission assets should proceed under the very late competition generator build delivery model. We invited feedback on this Minded-to Decision, and our consultation closed on 16 July 2022.

A significant amount of stakeholder feedback suggested that our Minded-to Decision needed further consideration. In addition, since then, the Holistic Network Design (**HND**)² has been published by National Grid Electricity System Operator (**NGESO**), we have confirmed new policy in relation to Anticipatory Investment (**AI**)³ for projects within the scope of the Early Opportunities workstream and we have published our decision on asset classification for the first round of the HND.⁴

Based on both the responses to our May 2022 publication and the progress above, in December 2022, we published a Revised Minded-to Decision and further consultation⁵ (**our December 2022 publication**). That document set out our Revised Minded-to Decision to expand the choices available to developers in the delivery of non-radial offshore transmission assets. In particular, to give developers the choice of either a very late competition generator build model or a late competition Offshore Transmission Owner (**OFTO**) build model for delivery of non-radial offshore transmission assets. Additionally, to extend the application of AI policy to assets within the scope of the PT2030 workstream, in a similar way that this policy applies to the projects within the Early Opportunities workstream.

This decision document provides a summary of the responses we received to our December 2022 publication. It confirms our final decision to give developers the choice of either a very late competition generator build model or a late competition OFTO build model for delivery of non-radial offshore transmission assets. It also confirms the extension of the AI policy to the assets within the scope of the PT2030 workstream.

¹ [Minded-to Decision and further consultation on Pathway to 2030 | Ofgem](#)

² [A Holistic Network Design for Offshore Wind | National Grid ESO](#)

³ [Decision on Anticipatory Investment and Implementation of Policy Changes | Ofgem](#)

⁴ [Offshore Transmission Network Review: Decision on asset classification | Ofgem](#)

⁵ [Revised Minded-to Decision and further consultation on Pathway to 2030 | Ofgem](#)

1. Introduction

Background – The Offshore Transmission Network Review

- 1.1. The OTNR⁶ was launched in July 2020 with the objective to ensure that the transmission connections for offshore wind generation are delivered in an optimal way, considering the United Kingdom’s ambitions for offshore wind energy in achieving net zero. This aims to balance environmental, social and economic costs.
- 1.2. The government’s Ten Point Plan for a Green Industrial Revolution in November 2020⁷ set an ambitious offshore wind target of 40GW by 2030. In April 2022, the then Prime Minister announced a new British Energy Security Strategy (**BESS**)⁸ which built on previous offshore wind targets to set an ambition of 50GW of offshore wind by 2030.
- 1.3. Under the current regulatory framework, offshore wind farms are connected to the onshore network via radial (point-to-point) connections which must be owned and operated by an OFTO. Point-to-point connections are not appropriate for the scale of ambitions and may present a barrier to the further scaling up of the offshore wind sector. Additionally, they impose more of an impact upon the seabed and upon the local communities that host the connections.
- 1.4. To achieve the objectives of the OTNR, there are four workstreams operating in parallel. These are PT2030, Multipurpose Interconnectors (**MPIs**), Early Opportunities and Future Frameworks (formerly the Enduring Regime).

Pathway to 2030

- 1.5. PT2030 is the medium-term workstream, covering largely the projects delivered through the Crown Estate (**TCE**) Leasing Round 4 and Crown Estate Scotland (**CES**) ScotWind leasing round. These will make a significant contribution to the government’s 50GW ambition for offshore wind by 2030.

⁶ [Offshore transmission network review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/offshore-transmission-network-review)

⁷ [The ten point plan for a green industrial revolution - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/ten-point-plan-for-a-green-industrial-revolution)

⁸ [British energy security strategy - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/british-energy-security-strategy)

Our decision-making process

- 1.6. Our May 2022 publication, which was published alongside a draft impact assessment, outlined our intention to apply a very late competition generator build model to non-radial offshore transmission assets in scope of the PT2030 workstream. We invited feedback on this Minded-to Decision which closed on 16 July 2022 and we received 29 responses.
- 1.7. Based on the feedback to our May 2022 publication and new developments, such as the NGENO HND⁹ being published and our decision on HND asset classification¹⁰ being issued (which set out a process for classifying assets as either onshore reinforcement, offshore radial transmission or offshore non-radial transmission), we produced our December 2022 publication which was a Revised Minded-to Decision and further consultation on PT2030, alongside an additional draft impact assessment.
- 1.8. In response to our December 2022 publication we received 22 responses, which we have summarised and responded to in this document.

What is in this publication?

- 1.9. This document outlines our final decision on the delivery model for non-radial offshore transmission in scope of the PT2030 workstream of the OTNR. This document is published alongside a final impact assessment and the non-confidential responses we received to our December 2022 publication.
- 1.10. In particular, this document confirms our final decision to:
- give developers the choice between a very late competition generator build and late competition OFTO build as delivery models for non-radial offshore transmission assets;
 - to extend the application of AI policy to assets within scope of the PT2030 workstream.

⁹ [Minded-to Decision and further consultation on Pathway to 2030 | Ofgem](#)

¹⁰ [Offshore Transmission Network Review: Decision on asset classification | Ofgem](#)

Structure of this document

- 1.11. This document first covers our decision on delivery models for non-radial offshore transmission assets within the scope of the PT2030 workstream, together with the feedback we received in response to our Revised Minded-to Decision on the inclusion of the late competition OFTO build model.
- 1.12. It later covers our decision on AI, alongside the feedback we received on the extension of AI policy from the Early Opportunities workstream to the PT2030 workstream. It additionally summarises the feedback we received in response to our initial thinking on how the charging regime will need to evolve to give effect to our AI policy.

Related publications

Revised Minded-to decision and further consultation on Pathway to 2030 (December 2022) - [Revised Minded-to Decision and further consultation on Pathway to 2030 | Ofgem](#)

Minded-to Decision and Further Consultation on Pathway to 2030 (May 2022) - [Minded-to Decision and further consultation on Pathway to 2030 | Ofgem](#)

Decision on asset classification for assets included in the NGENSO Holistic Network Design (October 2022) - [Decision on asset Classification – Offshore Transmission Network Review: Decision on asset classification | Ofgem](#)

The Pathway to 2030 Holistic Network Design (July 2022) - [The Pathway to 2030 Holistic Network Design | National Grid NGENSO](#)

Consultation on our Minded-to Decision on Anticipatory Investment and Implementation of Policy Changes (April 2022) - [Offshore Coordination - Early Opportunities: Consultation on our Minded-to Decision on Anticipatory Investment and Implementation of Policy Changes | Ofgem](#)

Decision on Anticipatory Investment and Implementation of Policy Changes (October 2022) - [Decision on Anticipatory Investment and Implementation of Policy Changes | Ofgem](#)

Initial impact assessment on allocating Anticipatory Investment risk in offshore transmission systems in Early Opportunities (April 2022) - [Offshore Coordination - Early Opportunities: Consultation on our Minded-to Decision on Anticipatory Investment and Implementation of Policy Changes | Ofgem](#)

General feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this report. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

Please send any general feedback comments to stakeholders@ofgem.gov.uk

2. Decision on delivery models and analysis of consultation responses

Section summary

This section outlines our final decision on delivery models. It summarises the consultation responses we received to our December 2022 publication. Overall, we received positive responses to our revised position on late competition OFTO build. In particular, respondents supported our proposals to extend the delivery models available for non-radial offshore transmission assets.

Background

- 2.1. Our December 2022 publication outlined our revised position to expand the choices available to developers for the delivery of non-radial offshore transmission assets. In particular, to give developers the choice of either a very late competition generator build model or a late competition OFTO build model for the delivery of non-radial offshore transmission assets.
- 2.2. This was published alongside an additional draft impact assessment, which highlighted changes to the quantified costs and benefits estimated in the first draft impact assessment and the implications of these changes.

Final Decision on delivery models for non-radial offshore transmission assets

- 2.3. We confirm our Revised Minded-to Decision to provide for a late competition OFTO build model and very late competition generator build model for the delivery of non-radial offshore transmission assets, within the scope of the PT2030 workstream.
- 2.4. Having more than one option available for the delivery of offshore non-radial transmission assets will assist with mitigating the risk of non-delivery or late delivery of projects. By allowing a late competition OFTO build option, developers can select the best route forward for their project. It also provides an alternative for situations where there may be specific and considerable challenges to developer-led coordination.

- 2.5. Whilst we recognise the development of a late competition OFTO build model for non-radial transmission assets may take time, given the smaller number of non-radial transmission assets identified in the HND, we consider there to be less delay risk associated with developing the late competition OFTO build model for non-radial offshore transmission assets than first anticipated. We cover this in further detail within our final impact assessment.
- 2.6. In our December 2022 publication, we also broadened the application of our minded-to decision on delivery models, to include all projects within the scope of the HND and HND FUE (including the proposed floating wind projects in the Celtic Sea). We confirm this decision.
- 2.7. We summarise stakeholder feedback to our December 2022 publication and our response below.
- 2.8. In addition to the stakeholder responses in support of our Revised Minded-to Decision on delivery models, we received a number of additional considerations which respondents felt should be factored into the implementation phase of our work on delivery models. We have grouped these considerations into themes below.

Consultation responses on the Revised Minded-to Decision on delivery models for non-radial offshore transmission assets

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

- 2.9. Of the 22 responses we received to our December 2022 publication, 21 addressed this question. 20 responses agreed with our Revised Minded-to proposal to introduce the option of a late competition OFTO build model for the delivery of non-radial offshore transmission assets.
- 2.10. One response disagreed with our Revised Minded-to Decision, preferring a Transmission Owner (**TO**) build model. The respondent argued that a single delivery body is best placed to achieve the government's ambitions for offshore wind and net zero. The same respondent outlined that supply chain issues and the involvement of multiple parties in the delivery of offshore non-radial transmission assets could constitute barriers to coordination. They also put forward concerns

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about delays regarding the design and delivery of a competition process. They proposed a single TO-build delivery body as the most appropriate remedy.

- 2.11. Whilst welcoming the option of the late competition OFTO build model, three responses retained a preference for the generator build model. They noted that the generator build option has facilitated the rapid deployment of offshore wind capacity and allocates responsibilities and risks in a known and widely accepted way.

Consultation responses on the amended scope of this workstream

- 2.12. Nine of the 22 responses we received explicitly supported the extension of PT2030 delivery models and AI policy to the Celtic Sea and the NGENSO Holistic Network Design Follow Up Exercise (**HNDFUE**). 13 responses did not provide comment on the amended scope of this workstream.

- 2.13. Three responses outlined that significant uncertainty remains on delivery models for the Innovation and Targeted Oil & Gas (**INTOG**)¹¹ round and requested clarity on whether these projects will be included within the scope of this decision.

Consultation responses on information sharing and competition

- 2.14. Developers have previously raised concerns that the very late competition generator build model could potentially present some challenges in terms of sharing commercially sensitive information.
- 2.15. Nine responses outlined that a late competition OFTO build model can help to overcome some of the developer coordination-related challenges which have previously been identified including, for example, how to deal with the sharing of commercially sensitive information.
- 2.16. One response noted that a coordinating body (such as Ofgem or NGENSO) could help overcome concerns about the sharing of commercially sensitive information by acting as a central repository of information. They also noted it could alleviate some of the technical and financial complexity for developers associated with multiple-party contracting.

¹¹ [INTOG leasing round - Offshore Wind - Scotland's property - Crown Estate Scotland](#)

Consultation responses on developer choice of delivery model

- 2.17. 13 responses emphasised the importance of developer choice in the selection of a delivery model.
- 2.18. Six responses indicated the need for clarity over when and how the delivery model should be selected. Stakeholder feedback requested that a third party, such as Ofgem or the NGENSO, should act as an overall coordinator with the power to decide on the delivery model to be used and to select the lead developer.
- 2.19. Nine responses set out concerns that developers may not be able to coordinate and highlighted that there must be a clear mechanism in place for the resolution of disputes where parties cannot reach agreement. Four responses referenced the need for a third-party mediator after the delivery model has been selected should there be a dispute.

Consultation responses on tender process and cost assessment

- 2.20. 11 respondents outlined the need for further details on the Tender and Cost Assessment Guidance to be published as soon as possible, to enable industry to make an assessment of the viability of the late competition OFTO build model and also to allow relevant parties to make appropriate decisions on coordinated infrastructure.
- 2.21. One response outlined that cost disallowance mechanisms are a concern for OFTO build and therefore requested a clear policy on cost recovery.

Consultation responses on incentives

- 2.22. One respondent had the view that for both generator-build and OFTO build models, offshore works could be incentivised in a way similar to Revenue = Incentives + Innovation + Outputs (**RIIO**) mechanisms for TOs.¹²
- 2.23. Four responses commented on the potential misalignment of incentives that may occur between projects intending to make use of the transmission assets and those responsible for constructing them.

¹² [Network price controls 2021-2028 \(RIIO-2\) | Ofgem](#)

Consultation responses on timing of the delivery of assets

- 2.24. One respondent outlined that more work is required to ensure that project delivery with the very late competition OFTO build model can be done in such a way that aligns with the schedules of the earliest connecting offshore wind project.
- 2.25. One respondent outlined that the late competition OFTO build delivery model should take into account developer timelines for Contracts for Difference (**CfD**), Final Investment Decisions and Power Purchase Arrangements (**PPA**). The respondent noted the start of CfD contracts and any PPAs require on-time delivery of assets. The delivery of transmission assets, according to this respondent's view, should be strictly monitored with the possibility of penalties for late delivery.

Consultation responses on implementation of the late competition OFTO build model

- 2.26. Four respondents held reservations about the capability of OFTOs to deliver coordinated infrastructure at present. They noted the undeveloped and untested nature of the late competition OFTO build model.
- 2.27. One response requested the development of new regulatory instructions and guidance to enable developers and wider stakeholders to adopt accurate commercial decision-making. They noted that developers will not have foresight of other developers plans when they bid, which could lead to potentially inaccurate assumptions in the bidding process.

Pre-consenting and consenting stages

- 2.28. Eight responses outlined the need for clarity on roles, responsibilities and the allocation of risk, including uncertainty with regards to how the consenting and Detailed Network Design (**DND**) stages may impact project financing.
- 2.29. Another respondent outlined that Ofgem should consider when would be the appropriate time for a developer to make a decision on its delivery model of choice. The respondent outlined that this is of particular importance given the reliance of multiple developers on the delivery of shared infrastructure.

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Pre-construction and construction stages

- 2.30. One respondent outlined that it is crucial for OFTO involvement at an early stage in pre-construction, as soon as the consenting has been concluded, for the transition of responsibilities to occur smoothly and to ensure timely delivery.
- 2.31. Four responses highlighted that risks relating to construction and late delivery need to be addressed and sought clarity on the impact of diverging or misaligned timelines between project partners. These respondents outlined that connecting users need certainty that projects will be delivered on time.
- 2.32. One respondent had the view that separating design (undertaken by the developer), from delivery (undertaken by the OFTO), needs further careful consideration. This respondent outlined that interfaces between the developer undertaking the design work and the OFTO delivering are essential to success. They outlined that this should be reflected in the OFTO tender and construction procurement processes.
- 2.33. Seven responses wanted further clarity and explicitly called for continued stakeholder engagement on the development of delivery models, in order to ensure that models are crafted with reference to industry-focused expertise and to ensure accountability throughout the implementation process.

Consultation responses on applicability of models to the Future Frameworks workstream

- 2.34. Four responses discussed the further development of the models for the Future Frameworks workstream and supported the possibility of an early competition OFTO build model in the future.

Ofgem response to feedback

- 2.35. We have now reached our decision on delivery models and are focused on the detailed changes required to facilitate the delivery of non-radial offshore transmission under both the very late competition generator build model and the late competition OFTO build model.
- 2.36. In the design for the delivery regime for non-radial assets, we will consider a range of factors.

- 2.37. With regards to incentives, we recognise the role they play in the delivery of network infrastructure. As part of our next steps, we will consider whether the current incentives package is appropriate for the delivery of non-radial offshore transmission assets, or whether incentives will need to be adapted to reflect the move towards coordination. We will also be looking at whether there should be any incentives or penalties, to increase timely delivery.
- 2.38. We recognise the need for timely delivery of the model and the need for clarity on Tender and Cost Assessment Guidance. These will be addressed as we implement our proposals. We will be engaging with stakeholders on this.
- 2.39. We recognise developer concerns around coordination and the request for a third-party coordinating body and conversely, the widespread support for developer choice. We consider that developers are best placed to make a decision on which model best suits their commercial structure and to assess the risks and deliverability of each of their specific projects and thus, to choose the most suitable model on a case-by-case basis. We consider that industry bodies may provide an appropriate forum for the resolution of many of the perceived or potential coordination-related issues between developers.
- 2.40. As part of next steps, the NGESO will shortly be facilitating discussions with coordinated developers from the first HND and other appropriate organisations to identify and address the challenges related to delivering the non-radial transmission network infrastructure recommended in the first HND. We would encourage developers to continue engagement with the NGESO, and OTNR partners.
- 2.41. We do, however, recognise the need for clarity on when developers should select the delivery model and, where necessary, the lead developer for their project. We will be conducting stakeholder engagement in Q2 2023 following our decision and will provide further guidance on this as we proceed with the development of the late competition OFTO build model.
- 2.42. We recognise that clarity is needed regarding delivery models for the INTOG leasing round. However, we consider that this is beyond the scope of this workstream, and is being considered in other fora.

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- 2.43. With regards to the proposal for a single TO delivery body, this model was discounted in our original May 2022 publication and is no longer under further consideration. While some of the assumptions have changed since our May 2022 publication, those which pertain to the exclusion of the TO build model did not. While we recognise the skills, experience and expertise that TOs have, we continue to see value in offshore developers and OFTOs participating in the delivery of coordinated offshore networks. The scale of the challenge over the next ten years may mean that a solely TO-led framework could face other challenges, in particular on financing and deliverability.
- 2.44. In terms of the capabilities of OFTOs to deliver coordinated transmission infrastructure, we believe they will be able to take a whole-life approach, from build to operations. We have considered this in our final impact assessment. This could deliver an overall cost of capital which is potentially competitive relative to generator build. We again consider that the model will provide early clarity and certainty for generators on future capital expenditure and networks charges.
- 2.45. Our expectation is that TOs and developers will work together on the DND. As set out in paragraph 2.40, the NGENSO will be facilitating discussions with coordinated developers and other appropriate organisations from the first HND to identify and address the challenges related to delivering the non-radial transmission network infrastructure recommended in the first HND.
- 2.46. With regards to risks in relation to diverging timelines, interfaces and separation of design, these matters will form part of our work on implementation. We will continue to work with stakeholders and our OTNR partners on these considerations.
- 2.47. We acknowledge stakeholder feedback and the need for further development and certainty of the delivery models for the Future Frameworks workstream. Whilst we have reached our final decision for PT2030, this does not set a precedent for the delivery model(s) that might be adopted in the future. Key policy decisions underpinning any Future Framework will be taken by the Department for Energy Security and Net Zero, with input where relevant from OTNR partner organisations.

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We expect a government response document to the 2021 Future Framework consultation¹³ to be published shortly.

¹³ [Offshore Transmission Network Review: Enduring Regime and Multi-Purpose Interconnectors \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk)

3. Decision on Anticipatory Investment in Pathway to 2030

Section summary

This section outlines our final decision to extend the application of AI policy developed in the Early Opportunities workstream to projects within scope of the PT2030 workstream. It summarises the consultation responses we received to the question on AI which we raised in our December 2022 publication. Overall, the responses to our proposals on AI were positive.

Background

3.1. In our May 2022 publication, we did not specifically address the application of AI policy to projects within scope of the PT2030 workstream. In our December 2022 publication, we set out our Minded-to Decision to extend the application of the AI policy developed in the Early Opportunities workstream to the projects in-scope of the PT2030 workstream.

What is AI?

3.2. For the purposes of the PT2030 workstream, AI is the investment in offshore transmission infrastructure which goes beyond the needs of the immediate offshore development(s).

When would AI apply?

3.3. We outlined that the extension of AI principles to PT2030 would allow for a single developer, the initial user, to construct offshore transmission infrastructure appropriate for the needs of a project that will connect later.

3.4. Should PT2030 developers opt to use AI policy, they will have a route to the recovery of the AI related capex in the same manner as that envisaged in the Early Opportunities workstream. This recovery route is facilitated via the transfer sum paid to the developer by the OFTO following the cost assessment process.

3.5. To do this, we outlined that we would update our guidance and policy documents with regards to the recovery of AI capex. This would mean that economic and

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efficient costs for the connection of another development should be included in the final transfer value of the relevant shared offshore transmission assets at the end of the relevant tender process. We indicated that the treatment of AI will be subject to an early-stage assessment process and to the usual cost assessment processes which require the developer to demonstrate that the expenditure is economic and efficient.

- 3.6. We discussed the benefits of this approach and how AI could be of particular use in situations where projects are on different timescales ensuring that the initial user can proceed with its development should the later user have a later project development timeline or be delayed during the development process.
- 3.7. Further, this could provide developers with more options for the delivery of offshore transmission assets and reduce barriers to coordination and the risk of delay. AI enables one developer to begin construction of shared assets, in the event, for example, where the other user of the shared assets is not in a position to take its final investment decision. Including this option will provide a route to accelerate development which in turn will help to meet the government's ambitions for the delivery of offshore wind.

Final Decision on extending AI policy to PT2030

- 3.8. We confirm our position as set out in our December 2022 publication, to extend the application of the AI policy developed in the Early Opportunities workstream, to projects within scope of the PT2030 workstream.
- 3.9. As set out above, in due course, we will be implementing changes to our guidance and policy documents. We will be publishing a consultation on the draft early-stage assessment guidance in Q2 2023. We will consider all feedback provided to us on the early-stage assessment in our upcoming consultation, which contributes towards the design of the process.

Consultation responses on Anticipatory Investment

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

- 3.10. 21 out of 22 respondents to the consultation addressed this question and agreed with this extension of AI policy to projects within scope of the PT2030 workstream. Five respondents explicitly noted that the extension of AI policy to this workstream could alleviate some of the coordination-related challenges for developers.
- 3.11. Whilst respondents were supportive of the extension of AI policy to the scope of the PT2030 workstream, a number of considerations and concerns were raised and are set out below.

Consultation responses on timing of implementation

- 3.12. Five respondents noted the need for the AI regulatory framework to proceed at pace, with two respondents raising concerns that the AI policy would be finalised too late to apply to in-flight projects.

Consultation responses on information sharing

- 3.13. 10 respondents raised concerns over information sharing. In particular, respondents voiced concerns on cost sharing and whether information sharing would be regarded as anti-competitive behaviour under current arrangements, including competition law and CfDs.
- 3.14. Four respondents requested that Ofgem or NGENSO undertake a formal coordination role to handle sensitive information and act as mediator in case of disputes.
- 3.15. Four respondents requested clarity on how to select a lead developer, and in particular the extent to which these arrangements would need to be formalised.

Consultation responses on clarity around cost recovery

- 3.16. 11 respondents raised concerns on disallowed anticipatory costs potentially constituting barriers to coordination. Six respondents requested clarity over cost assessment principles and benchmarks under our proposals.

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3.17. Four respondents noted a preference for ex-ante cost recovery mechanisms, stating that ex-post cost recovery mechanisms place too much risk on the initial user.

Consultation responses on interactions with licence conditions and incentives

3.18. A further two respondents sought clarity on whether the AI process will interact or form part of the OFTO Licence requirements, incentives and Tender Revenue Stream (**TRS**) duration and end-of-life cost gap. One respondent in particular noted that they did not think AI proposals aligned with the current incentives.

3.19. One respondent expressed the concern that the TRS could be impacted due to the outages caused either to facilitate the connection of the later user, or to facilitate changes to infrastructure prior to the connection of the later user.

Consultation responses on AI policy interactions with OFTO build

3.20. One respondent requested clarity on how and if AI proposals will be applied to OFTO build scenarios, recognising that the policy at present focuses on the generator build model.

Consultation responses on user commitment

3.21. Two respondents outlined that any willing later user should have the ability to step into the role of the lead developer, should the lead developer fail to deliver the transmission assets. Two respondents additionally noted the view that in the event that the later user fails to connect completely, another user should be able to come forward.

3.22. Noting that there could be multiple later users, or that a later use may not be an offshore wind generator, three respondents requested further clarity on how user commitment arrangements will be determined when there are multiple "later users".

Consultation Responses on early-stage assessment process

3.23. Five respondents called for clarity on the early-stage assessment process and timely delivery of the early-stage assessment process.

Ofgem response to feedback

- 3.24. With regards to the early-stage assessment process, we will be publishing draft guidance on this Q2 2023. This will cover the assessment process for AI both for Early Opportunities and for PT2030. This will address the concerns raised in response to our consultation such as who the lead developer will be and what should happen should the lead developer be delayed.
- 3.25. We acknowledge the concerns raised around cost assessment, cost disallowance and initial user/later interchanges. We are working through these issues, including readacross with our existing OFTO cost assessment processes, and will provide an update to stakeholders in due course.
- 3.26. With regards to feedback on the request the request for Ofgem or NGENSO to undertake a formal coordination role to handle sensitive information and act as mediator in case of disputes. As set out in paragraph 2.39 this is not something we consider within the scope of our remit and we consider that existing industry bodies may provide an appropriate forum for the resolution of coordination related issues between developers.

4. Charging mechanics to give effect to the allocation of AI

Section summary

This section summarises the consultation responses we received to our December 2022 publication which set out our initial thinking on how the charging regime will need to evolve to give effect to our AI policy, both for the Early Opportunities and PT2030 workstreams.

Background

- 4.1. In our December 2022 publication, we outlined several scenarios and issues we expect NGENSO and industry to explore to give effect to our AI policy both for Early Opportunities and for PT2030 workstreams.
- 4.2. We considered a number of proposals, including: cost apportionment between users; AI where one user is a network licensee rather than a generator, for instance a TO; AI when changes are made to shared offshore transmission assets before the later user connects (eg: should the later user increase the capacity of their assets); classification and charging regimes for potential offshore Main Integrated Transmission System (**MITS**) nodes; and looking at the interaction with the €2.50/MWh annual average limit on generator transmission charges to ensure charges comply with the now retained Commission Regulation No 838/2010 (**ITC Regulation**).
- 4.3. We indicated in our December 2022 publication that the scenarios outlined were not formal or finalised positions of the Authority and that they would need to be explored further.

Consultation responses on charging regime options to facilitate Anticipatory Investment

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

- 4.4. We received a range of responses to this question. Of the 16 responses we received, four agreed, 11 broadly agreed and one disagreed. Of those who broadly agreed, a number of issues were identified as potential causes for concern.

- 4.5. Four responses expressed the view that the Transmission Network Use of System (**TNUoS**) charging regime needs more significant reforms. Acknowledging that this may be outside of Ofgem’s remit, respondents highlighted that the TNUoS framework was designed to provide locational signals for new hydrocarbon-based generation assets. Respondents explained that the transition to net zero requires a holistic approach and an assessment of whether TNUoS remains appropriate for low carbon generation.
- 4.6. Four responses outlined that the charging regime for AI must not create disincentives for delivery as this may endanger the achievement of the government’s ambitions for net zero. One response expressed the view that generators should not be required to pay higher local charges based on AI and viewed this as constituting a potential perverse incentive.
- 4.7. Four responses expressed the need for stability, certainty and consistently applicable rules in the charging regime. Two responses outlined that charging on a case-by-case basis may create volatility and unpredictability and act as a disincentive.
- 4.8. One response expressed the view that the OTNR subgroup and the Connection and Use of System Code (**CUSC**) modification process constitute the proper forum for the creation of the basis of offshore charging. Two responses articulated the view that the OTNR subgroup should have within its Terms of Reference a requirement to consider the right criteria by which a case-by-case assessment may be carried out.
- 4.9. Five responses discussed how there should be harmony between onshore and offshore mechanisms. In particular, one response emphasised the need to ensure consistency between the treatment of onshore and offshore MITS nodes, and one response outlined the need for consistent rules, rather than taking a case-by-case approach. One response supported the incorporation of the meshed nature of the offshore network into the definition of MITS nodes.
- 4.10. Respondents noted two primary risks arising from the arrangements with NGESO. Two respondents expressed their view that it is unfair for a project to be disadvantaged if NGESO has classified it as a hub location. Two respondents are

concerned about the risks to the initial user if NGESO can vary contractual arrangements and charges.

Ofgem response to feedback

- 4.11. We are working through the application of the charging methodology for AI across all the workstreams and expect to publish a full update following this publication. This will build upon the feedback we received and we expect to publish later this year. As part of this, we will also be considering the application of rules and whether there are any associated risks and barriers eg, disincentives.
- 4.12. We acknowledge that developers will need further clarity on how TNUoS charges and cost recovery mechanisms for users of shared transmission assets will work. This will form part of the code modification process. Ofgem will engage further with stakeholders via the Offshore Code Modification Sub-Group ahead of the code modification workgroup process led by the NGESO.
- 4.13. Stakeholders will have the opportunity to feed into this process and Ofgem will engage with the NGESO on charging mechanisms and on how best to achieve a charging methodology that is in the best interests of the consumer and that provides fairness and certainty for offshore wind developers, ensuring the timely delivery of a coordinated offshore grid.
- 4.14. With regards to the applicability of the definition of MITS nodes from onshore to offshore, this is being considered in the NGESO Offshore Code Modification Sub-Group. Should NGESO decide this is an appropriate direction of travel, this will form a proposal for the code modification process with the outcome falling to Ofgem for a final decision.

5. Next Steps

Section Summary

This section sets out our intended next steps for the PT2030 workstream and implementation of the decisions made in this document. We also set out our next steps on the guidance for the early-stage assessment process as part of our proposals to implement AI policy.

Delivery models

- 5.1. As we have now reached our decision on delivery models, we are working to ensure that the delivery models for non-radial offshore transmission assets are developed appropriately over the next year. As part of this work we will be taking into account the implementation considerations as raised by respondents in paragraphs 2.9-2.47.
- 5.2. We will hold stakeholder engagement sessions with industry on these matters in Q2 2023.

Anticipatory Investment

- 5.3. As set out above, with regards to the early-stage assessment process, we will be publishing draft guidance on this Q2 2023. This will be open for a four week consultation period and will cover the assessment process for AI both for Early Opportunities and for PT2030.

Appendices

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Appendix 1 – Privacy notice

Personal data

The following explains your rights and gives you the information you are entitled to under the UK General Data Protection Regulation (**UK GDPR**).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Authority is the controller, (for ease of reference, Ofgem). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the UK GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. ie a consultation.

4. With whom we will be sharing your personal data

We may share consultation responses with Department for Energy Security and Net Zero. If you do not wish us to do so, please clearly let us know in your response. Please note that responses not marked as confidential will be published on our website. Please be mindful of this when including personal details.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Decision on Pathway to 2030

Your personal data will be held for six months after the project is closed, including subsequent projects or legal proceedings regarding a decision based on this consultation, is closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas.

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system.

9. More information

Decision on Pathway to 2030

For more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".

Appendix 2 – Glossary

A

Anticipatory Investment (AI)

Investment that goes beyond the needs of immediate generation, reflecting the needs created by a likely future generation project or projects.

The Authority

The Gas and Electricity Markets Authority established by Section 1(1) of the Utilities Act 2000. The Authority governs Ofgem.

C

Capex

Capital Expenditure

CES

Crown Estate Scotland

CfD

Contracts for Difference

cost gap

The recovery of the AI element of the offshore generator TNUoS tariff in the period between the shared asset transfer to the OFTO and the point when the later user(s) will start using the shared assets and paying TNUoS charges.

CUSC

Connection and Use of System Code

E

Electricity Act or the Act

The Electricity Act 1989 as amended from time to time.

H

HND

Holistic Network Design

HNDFUE

Holistic Network Design Follow-Up Exercise

I

IA

Impact Assessment

ITC Regulation

EU Commission Regulation No 838/2010, now retained in UK law. The Inter-Transmission System Operator Compensation mechanism provides for compensation for the costs of hosting cross-border flows of electricity.

N

NGESO

National Grid Electricity System Operator

O

Ofgem

Office of Gas and Electricity Markets. Ofgem, “the Authority” and “we” are used interchangeably in this document.

OFTO

Offshore transmission owner

OFTO Licence

The licence awarded under Section 6(1)(b) of the Electricity Act following a tender exercise authorising an OFTO to participate in the transmission of electricity in respect of the relevant Transmission Assets. The licence sets out an OFTO’s rights and obligations as the offshore transmission asset owner and operator.

OTNR

Offshore Transmission Network Review

P

PPA

Power Purchase Arrangements

PT2030

Pathway to 2030

T

TCE

Decision on Pathway to 2030

The Crown Estate

TOs

Transmission Owners

TRS

Tender Revenue Stream

TNUoS

Transmission Network Use of System