

Stuart Borland
Deputy Director, Offshore Network Regulation
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

9 December 2022

Dear Stuart

Statutory consultation on proposed modifications to Offshore Transmission licences

We welcome the opportunity to comment on the proposed modification to the Offshore Transmission Licences set out in this statutory consultation.

ScottishPower is a leading offshore windfarm developer with extensive experience of the UK OFTO market over the past number of years. Through our West of Duddon Sands (WoDS) joint venture project with Orsted, we jointly designed, consented and delivered the OFTO assets through the generator build model and jointly managed the OFTO divestment process. We are also in the process of divesting the OFTO assets for our operational East Anglia ONE (EA1) offshore windfarm, within Tender Round 6. The OFTO assets in respect of EA1 were also constructed using the generator build model. In addition, the East Anglia THREE project received planning consent in August 2017, and we also intend to build the OFTO assets through the generator build model. We also expect to adopt the same approach for the East Anglia Two and East Anglia One North projects that we have in development.

We have set out our detailed comments in relation to each of the proposed licence modifications in Annex 1 to this letter. Our key concern is that Ofgem is proceeding with modifications in relation to cost pass-through and transmission availability associated with asset health reviews and resulting investment works. While the proposed modifications reflect Ofgem's minded-to positions consulted on in June 2022,¹ there are a number of associated issues relating to the wider end of tender revenue stream (EoTRS) regime which are awaiting conclusion by Ofgem. We believe it would have been good regulatory practice for Ofgem to have published its minded-to positions on all the issues raised in the June 2022 consultation before moving to any consultation on proposed licence modifications.

¹ <https://www.ofgem.gov.uk/publications/offshore-transmission-owner-end-tender-revenue-streamconsultation-concerning-policy-development>

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If you have any questions regarding this response, please don't hesitate to contact me or my colleagues Haren Thillainathan (hthillainathan@scottishpower.com) or Deborah MacPherson (Deborah.MacPherson@Scottishpower.com)

Yours sincerely,

[redacted]

Richard Sweet
Head of Regulatory Policy

Annex 1

CONSULTATION ON PROPOSED MODIFICATIONS TO OFFSHORE TRANSMISSION LICENCES – SCOTTISHPOWER RESPONSE

1. Consequential licence modifications due to the end of the transition period

We note this proposal takes account of the necessary changes to the licence in order to be consistent with UK law following exit from European Union; and as we agree this change is minor, we have no comments.

[redacted]

4. Proposed Modification to ASC E12-J4 Part C (Incremental capacity incentive adjustment)

This proposal seeks to modify all OFTO licences to make it clear that all OFTOs can seek to recover costs where they have entered into an agreement with the system operator under Standard Licence Condition E17 (Obligations in relation to offers for connection etc) and the OFTO has incurred costs as a result of that agreement.

While we agree with the principle of enabling service provision to help grid security and stability, the assets required to provide such services are more often than not:

- 1) designed and built by the generator/developer (under the generator build model) and justified as a minimum cost solution pre-transfer; or
- 2) provided by generator assets 'through' the OFTO circuit.

We therefore believe that this licence modification runs the risk of falling short of its intention, and would suggest Ofgem recognise the importance of including generator developers in the discussions to ensure there is no risk of assets being paid for twice over.

Additionally, we would request clarity on the treatment of the costs arising where the OFTO has entered into an agreement with the system operator to construct increased capacity.

Further, as noted above in our response to proposal B, the timing of any outages and the impact on generation should be considered by all stakeholders and agreement reached to ensure fairness of operability.

Finally, we would like to clarify if this new condition will differ from in any way from those available to the onshore incumbent TOs where they are able to be remunerated for system services from the ESO.

We would urge Ofgem to consult further on this proposed licence modification with all stakeholders, in particular offshore generators, to ensure Ofgem's policy intent is delivered.

ScottishPower
December 2022