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By email:
offshorelicensing@ofgem.gov.uk

Dear Stuart,

Consultation on proposed modifications to Offshore Transmission licences

SSE Renewables (SSER) welcomes the opportunity to respond to this consultation, please note that this represents the views of SSER only as a separate response may be submitted by other SSE businesses.

About SSE

SSER is the UK and Ireland's clean energy champion with plans to expand globally to deliver the green energy the world needs. Its strategy is to lead the transition to a net zero future through the world-class development, construction and operation of renewable power assets and it is building more offshore wind energy than any other company in the world.

SSE Renewables is part of SSE plc, the UK-listed integrated energy group which is investing £12.5bn over the next five years, or £7m a day, to deliver a Net Zero Acceleration Programme to address climate change head on. This includes plans by SSE Renewables to double its installed renewable energy capacity to 8GW by 2026 and ambitious targets to treble capacity to over 13GW by 2031, increasing output fivefold to over 50TWh annually –enough to be able to power around 20 million homes each year.

Proposed modifications to Offshore Transmission Licences (OFTO Licences)

1. Consequential licence modifications due to the end of the transition period
Minor changes to Amended Standard Condition E12-A1: Definitions and Interpretation (ASC E12-A1) in four OFTO licences, to make changes required to ensure that the licences are consistent with UK law at the end of the transition period following the United Kingdom's (UK) exit from the European Union.

SSER response

We recognise that this modification represents a levelling up exercise for the 4 OFTO licence holders granted licences during the period between Ofgem giving notice of its intentions and publishing the decision and therefore have no objections or additional comments.

2. End of Tender Revenue Stream

- a) Amended Standard Condition E12-J3: Restriction of Transmission Revenue: Allowed Pass-through Items (ASC E12-J3), where we propose the creation of two new pass-through terms to allow all Offshore Transmission Owners (OFTOs) to claim for the cost of carrying out Health Reviews of their transmission assets, and the Investment Works needed to extend the lifetime of those assets. This will make an important contribution towards the Government's ambition to put in place 50GW of offshore wind by 2030;

SSER Response

As previously outlined in our response to the End of Tender Revenue Stream Consultation, we have some concerns that the existing policy proposals do not appropriately accommodate the needs of and risks faced by the generator. We concur that should an OFTO be required to continue operation beyond its asset life, an assessment of the asset condition would have to be conducted and any necessary life extension investment work undertaken however, under the existing Tender Revenue Stream terms we would contend that the cost of suitably maintaining the asset until end of life should already have been accrued and that offering an additional pass through category for investment works could therefore act as a disincentive to upholding the high operational and maintenance standards that the OFTO has been contracted to provide, particularly where health checks are required significantly in advance of end of life.

As also outlined in the previous consultation, several additional concerns and risks to the generator in respect of the timing and ordering of both OFTO and Wind Farm asset health checks, uncertainty around the duration of life extensions and costs associated with any potential retendering process, have lead us to conclude that should life

extension be desirable for the generator, then the most cost effective/economic and efficient solution would be for ownership of the OFTO asset to revert to the generator. Under this scenario, the generator retains control of its route to market and would be directly responsible for maintaining the OFTO and associated costs (rather than paying through the TNUoS charging mechanism) therefore simply becoming another feature of the generators overall business decision on whether to extend life and for how long. SSE, along with many others in the sector, would implore Ofgem and BEIS to explore fully, the option for OFTO ownership to revert to the generator, whether through legislative change or a possible class exemption before final policy decisions are published. This would consequently invalidate any additional pass through OFTO cost associated changes to the Offshore Transmission Licence conditions.

- b) Amended Standard Condition E12-J4: Restriction of Transmission Revenue: Annual Revenue Adjustments (ASC E12-J4), where we propose to allow all OFTOs to claim adjustments for availability lost as a direct result of carrying out the Health Reviews and, if necessary, the Investment Works.

SSER Response

As previously outlined, the need for this modification could be avoided should Ofgem and BEIS approve the option for OFTO ownership to revert to the generator. Should the existing policy proposals be approved, SSER would ask Ofgem to outline how they propose that the generator is reimbursed for loss of revenue resulting from asset health checks and investment works.

3. Changes to decommissioning costs

ASC E12-J3, to allow OFTOs licensed in tender rounds 1 (TR1) to 3 (TR3) to seek to recover additional costs or expenses incurred:

- a) in the event that Value Added Tax (VAT) is applied to decommissioning costs where this is not already provided for in the licence elsewhere; and/or
- b) as a result of the disallowance of scrap value from the decommissioning security, consistent with licences granted from tender round 4 (TR4) onwards.

SSE Response

We recognise that this modification represents a levelling up exercise for the OFTO licence holders granted licences before mechanisms were introduced to allow for; a claim for adjustments where VAT has been applied to decommissioning costs and/or for costs incurred as a result of the disallowance of scrap value from the decommissioning security. We therefore have no objections or additional comments.

4. Incremental capacity arrangements Part C of ASC E12-J4 (ASC E12-J4 Part C), 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. (SLC E17) and the OFTO has incurred costs as a result of that agreement.

SSE Response

We acknowledge the need to clarify the wording in relation to the recovery of costs associated with the obligation to enter into agreements with the system operator and are comfortable that this modification will facilitate that.

We look forward to the opportunity to engage with Ofgem and BEIS further on this and related subjects.

Yours sincerely,

Julianne Duncan

Regulation Manager - Renewables