

BY EMAIL:

offshorelicensing@ofgem.gov.uk

CC:

stephen.taylor@ofgem.gov.uk

Beatrice Troiano Polo

Beatrice.TroianoPolo@rwe.com

OFTO Manager

RWE Renewables

9 December 2022

Dear Offshore Licensing Team,

Re: RWE's response to the consultation on proposed modifications to Offshore Transmission licences

About RWE

RWE is a leading energy player with four main operating companies, of which three are active in the UK, including RWE Renewables, one of the world's leading renewable energy companies.

In the UK, RWE employs over 2,600 people and generates enough power for over 10 million homes, with a diverse portfolio of onshore and offshore wind, hydro, biomass and gas across England, Scotland and Wales. For a broad picture of the scale of our projects in the UK and Ireland, please see our infographic [here](#).

We have an ambitious commitment to expand our renewables portfolio in the UK, with around one-third of our planned global gross capex spend by end-2022 being invested into the UK. This is mostly on offshore wind, including our flagship Triton Knoll and Sofia projects.

RWE and its project partners have also signed Agreements for Lease with The Crown Estate to extend our existing Gwynt y Môr (North Wales), Galloper and Greater Gabbard (Suffolk), and Rampion (East Sussex) offshore wind projects. Most recently, we were successful in securing Preferred Bidder status for two further offshore sites amounting to 3,000MW in the Round 4 Leasing Round by The Crown Estate. We also have a significant and growing onshore renewables presence, with over 600MW of onshore wind in operation across 33 sites. We have ambitious plans to expand this portfolio out to 2030.

Our key points of feedback in relation to the details in this consultation are:

- The generator should be involved in defining the scope of the OFTO health review, to ensure it is fit for purpose and provides the necessary information required by the generator to make a decision on lifetime extensions.
- The party carrying out the OFTO health review should be appointed via a public and transparent procurement process and be a third party independent contractor.
- As the generator will ultimately pay for any investments into the OFTO assets, it should be involved in agreeing the scope and timings of any investments to the transmission assets.



- A holistic view will be required to enable efficient and aligned decision making regarding the future of both generation and transmission assets. A generator can only decide on investments into the generation assets if the lifetime situation of the OFTO assets is known, the sharing of information and involvement of the generator in the scoping of the health review of the OFTO is therefore vital.
- The OFTO should make best endeavours to carry out the investment works during routine maintenance activities as a first action, and then if not possible, apply for additional days on a case by case basis.

Please find our response to Ofgem's consultation below. We would be happy to discuss our response.

Kind regards,
Beatrice Troiano Polo

OFTO Manager, RWE Renewables

Proposed modifications for licences to amended standard condition E12-A1

We agree with the proposed modifications to ASC E12-A1 in order to ensure that the definitions are consistent with UK law.

Proposed modifications for licences to amended standard condition E12-J3

Health review scope and procurement

We agree that generators and OFTOs should be responsible for commissioning the health reviews of their own assets.

It would be useful to further understand how the scope of the OFTO health review will be defined and how the works will be procured.

The generator will require full visibility of the scope and all findings of the health review of the OFTO assets to fully inform the decision on whether to invest in the generation assets and life extension. Thus, a holistic view of the condition of the wind farm and OFTO assets will be required to enable efficient and aligned decision making. The health reviews need to include a detailed engineering process to understand both the current condition of the asset, the loading environment it has been subjected to for the last 20 years, the O&M work that has been completed to date and a revisit to the design life calculations taking into account all of the above.

It is essential that the studies are coordinated, and the generator is involved in the scope of the OFTO health review to ensure it is fit for purpose and provides the necessary information required by the generator to make a decision on lifetime extension. Commissioning of a health review with the incorrect scope, or not at the sufficient level of detail will result in a generator being unable to make a decision on whether to life extend its assets.

The process to carry out the OFTO health review should include a public and transparent, procurement process. The party carrying out the health review should be a third party independent contractor. For example in Germany there is a statutory requirement to inspect certain critical structural elements of the wind farm by an approved inspection house every 4 years. After the design life of the turbine is exceeded this statutory inspection drops to a frequency of 2 years. To implement this in the UK would require Ofgem to hold a list of approved OFTO inspectors and to ensure that none of these inspectors had links to the OFTO operators. This will ensure that the interests of consumers are being appropriately assessed.

We also suggest Ofgem to further consider the detail, format and process for health reviews in the case of further extension periods where possible as there will be the need to perform a rigorous assessment of the relevant asset information.

Transmission asset investment works

We consider Ofgem should also be mindful of ensuring the generator has the opportunity to agree to the scope and the timings of any proposed investments to the transmission assets, as the generator will ultimately pay for the investments into the OFTO assets.

The business case for the wind farm extension will be marginal at the end of the initial TRS term and the technical feasibility / required level of investment will vary substantially between assets. Transmission investment upgrades for certain types of equipment relating

to a life extension can have a material impact on the business case of a generator's project if they are to be charged through Offshore Local TNUoS. These charges wouldn't have been forecasted at the beginning of the generator's project and it's important these extra charges are not applied midway through the project's lifecycle without the generator's involvement and without the generator having confirmed its firm intention to life extend.

We suggest that Ofgem considers this issue further to ensure the generator can agree to the scope, costs and timings of any investment works.

We also suggest Ofgem should ensure the asset health review and investment works are economic and efficiently incurred by the OFTO through a process similar to the current cost assessment process.

For the consumer, it's crucial to ensure that they benefit from a continued supply of reliable, cost-competitive, green electricity and that the assets remain viable for the maximum period. The OFTO is incentivized to run the assets for only the term of the Tender Revenue Stream (TRS) it receives from the generator. Therefore, particularly in later years, the OFTO is incentivized to spend as little money as possible to maximise profits and run the assets hard, despite the anticipated lifetime of these assets being longer than the TRS term to support life extension opportunities. There should be opportunities for proactive management in conjunction with the generator in order not to allow components/structures to degrade to the point of requiring significant investment. This can reduce significant costs for future investment works. We therefore advocate that Ofgem introduce requirements for OFTOs to demonstrate good industry practice is being followed over time.

Proposed modifications for licences to amended standard condition E12-J4

We consider Ofgem's proposal of sharing the OFTO's health review with the generator and Ofgem appropriate. We consider Ofgem should be mindful of ensuring that the generator and the OFTO mutually agree on the timings of any outages in order to minimize the impact to the generator.

As Ofgem notes, the likely duration and cost of any investment works will become clear once the health review has been conducted. We do not agree with Ofgem's statement that OFTOs may claim an adjustment for lost availability for outages of up to and including 7 days in each case, without needing prior approval of the Authority.

The first step in any asset health review will be performed through a desktop study. We suggest that Ofgem first review the desktop health review and based on the outcome decide on the number of days for the outage. In our experience most outages for upgrade works take 2-3 days and the timeline can be optimised to perform this work while the system is deenergised during annual maintenance. We also anticipate that the majority of inspections on the OFTO can be done while the system is energised and operating. It would also be in the best interest for consumers to reduce the number of outage days.

We therefore suggest the OFTO should make best endeavours to carry out the investment works during routine maintenance activities as a first action, and then if not possible, apply for the additional days on a case by case basis.

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

We note that Ofgem is still considering how the cost recovery process in ASC E12-J4 Part C would work in practice.

Further clarity is needed on the definition of “incremental investment adjustment”, but in the context of providing additional capacity to the Network, we think these costs should be paid for by the party benefiting from the incremental investment. For example, if the installation of ancillary services will benefit consumers through a more reliable Network then the cost should be underwritten by them. If the additional capacity allows a new generator to connect onto the Network then the costs should be underwritten by them.

We also note that Ofgem is considering how/whether an OFTO can be protected for any outages necessary to facilitate increased capacity on the offshore transmission system with the affected OFTOs and the ESO. We consider Ofgem should be mindful of ensuring that the affected generator is also included in these conversations. If the works were undertaken by the OFTO to benefit consumers, the costs would need to be economically and efficiently assessed by Ofgem and generators would require some form of indemnity, or a compensation mechanism in its licence equivalent to the OFTO’s Exceptional Event mechanism, whereby they are reimbursed for lost revenues.).

Wherever an OFTO participates in the ancillary services market in such a fashion as to reduce output (and therefore leading to curtailment of the connected windfarm), it is essential that the windfarm is kept financially whole, and does not face imbalance charges for the actions taken by the OFTO.

Any reforms that could allow an OFTO to recover additional costs from the connected generator(s), beyond the TRS agreed at the outset of the OFTO lease period, imposes additional risk on the generator. An economically rational generator includes any such risks its CfD bids – increasing costs to end consumers (irrespective of if any additional cost actually materialises). It would be more economically efficient to recover additional costs through the demand residual, as this way consumers only face additional costs as/when they arise. The exception to this is where benefits accrue only to the specific generator connecting to the OFTO (as opposed to any benefits that might be said to be accrued by all generators).