

# Guidance

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## Draft Early-Stage Assessment Guidance Document

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This guidance document is for developers who are seeking to coordinate the development of offshore transmission infrastructure via anticipatory investment.

This document provides developers with guidance on how to submit their applications for the approval of anticipatory investment via the early-stage assessment. It explains the process that we follow in the assessment of applications and offers guidance on how to prepare applications for review.

We will update this draft guidance and issue final guidance following stakeholder engagement and feedback

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## **Executive Summary**

In October 2022 we issued a decision to implement a policy on how we would treat anticipatory investment made by developers for coordinated offshore transmission infrastructure. We had previously consulted on the matter in April 2022. During that consultation process, we received unanimous feedback in favour of the creation of an Early-Stage Assessment (**ESA**) to facilitate the application of this new policy. Stakeholders requested further clarity and guidelines on what is required to be submitted to make use of the anticipatory investment policy and what the framework for assessing applications would be.

We have produced this guidance document alongside our consultation on the ESA to inform all interested parties of our approach to the ESA. We will update this and issue final guidance following feedback from the consultation.

We intend to keep this guidance and our general approach to ESA under review to ensure alignment with policy developments. We will continue to engage with stakeholders to ensure this guidance remains fit for purpose.

In the case of any inconsistencies, the provisions in our decisions or licenses will take priority.

## 1. Introduction

### The Offshore Transmission Network Review (OTNR)

- 1.1. The OTNR was launched in July 2020 with the objective of ensuring that transmission connections for offshore wind generation are delivered in the most appropriate way, considering the increased ambition for offshore wind to achieve net zero. In doing so, the OTNR aims to find the appropriate balance between environmental, social, and economic costs.
- 1.2. In November 2022, the then Prime Minister's Ten Point Plan for a Green Industrial Revolution set an ambitious offshore wind target of 40GW by 2030.<sup>1</sup> In April 2022, the then Prime Minister announced a new British Energy Security Strategy, which increased the offshore wind ambition of 50GW by 2030.<sup>2</sup>
- 1.3. One of the core tenets of the OTNR is to enable developers to pursue greater coordination. We aim to do this by leveraging flexibility within the existing regulatory framework or by making near-term changes to it so that projects can progress as quickly as possible.
- 1.4. Within the OTNR, there are a number of different workstreams. The Early Opportunities workstream was intended to assist in-flight projects on different development timescales to coordinate without the benefit of any centralised design planning whereas the Pathway to 2030 (**PT2030**) workstream largely covers those projects in the Crown Estate Leasing Round 4 and ScotWind projects.
- 1.5. PT2030 projects are expected to reach connection by 2030 and are broadly assumed to be on similar project timelines. The centralised design planning for these projects is provided by the Holistic Network Design (**HND**). For the purposes of this guidance document, we refer to the HND as encompassing the original HND published by the Electricity System Operator

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<sup>1</sup> [The Ten Point Plan for a Green Industrial Revolution \(HTML version\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/ten-point-plan-for-a-green-industrial-revolution)

<sup>2</sup> [British Energy Security Strategy \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/consultations/british-energy-security-strategy)

(**ESO**) in July 2022<sup>3</sup>, and the Holistic Network Design Follow Up Exercise (**HNDFUE**) that is scheduled to be published in 2023.

## **Anticipatory Investment**

- 1.6. We use the term Anticipatory Investment to refer to investment in offshore transmission infrastructure to support the later connection of a specific offshore development or developments. This is investment which goes beyond the needs of the immediate offshore development or developments.
- 1.7. We refer to the developer making the investment in the shared asset as the initial user. We refer to the developer or developers that will use the shared asset in the future as the potential later user until such time as they connect, and the later user once connected.

## **Anticipatory Investment and the Early-Stage Assessment**

- 1.8. ESA seeks to provide developers with confidence that any Anticipatory Investment spent on coordinated infrastructure meets the necessary criteria.
- 1.9. The value agreed at the ESA does not indicate complete certainty on the efficient level of cost for the proposed infrastructure that would be included in any future valuation. We will only be able to provide greater certainty for applicants who have evidence-based costs for any costs relating to Anticipatory Investment.
- 1.10. The ESA process is valuable because it provides a layer of assurance to developers by ensuring that any Anticipatory Investment proposals for coordinated infrastructure can be tested to determine whether they meet the objectives of the OTNR.

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<sup>3</sup> [The Pathway to 2030 Holistic Network Design](#)

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- 1.11. The ESA process only applies to projects which include Anticipatory Investment; other offshore projects will follow existing processes.

## **Context and Related Publications**

- 1.12. In July 2013, we published a [policy statement](#) on our previous approach to Anticipatory Investment.
- 1.13. In July 2021, we published a [consultation](#) on three of the four OTNR workstreams: Early Opportunities, PT2030, and Multi-Purpose Interconnectors on greater coordination in the development of offshore energy networks.
- 1.14. In January 2022, we provided a summary of responses and an [update](#) following our consultation on changes intended to bring about greater coordination in the development of offshore energy networks.
- 1.15. In April 2022, we published our [consultation](#) on Anticipatory Investment and implementation of policy changes to facilitate Anticipatory Investment.
- 1.16. In October 2022, we published our [decision](#) on Anticipatory Investment and implementation of policy changes to facilitate Anticipatory Investment and our [decision](#) on asset classification.
- 1.17. In December 2022, we published our [revised minded-to decision and further consultation on Pathway to 2030](#).
- 1.18. In March 2023, we published our [decision](#) on Pathway to 2030.

## **General feedback**

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

- Do you have any comments about the overall quality of this guidance?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Any further comments?

Please send any general feedback comments to [Offshore.Coordination@ofgem.gov.uk](mailto:Offshore.Coordination@ofgem.gov.uk)

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## 2. The Early-Stage Assessment Approach

### Section summary

This section provides an overview of our approach to the ESA, including what we expect prior to the submission of an ESA application.

### Purpose of the Early-Stage Assessment

- 2.1. This guidance document applies our Anticipatory Investment policy to projects within both the Early Opportunities and the PT2030 workstreams which are “generator-build” projects.
- 2.2. The Early-Stage Assessment (**ESA**) seeks to provide developers with confidence that any Anticipatory Investment spent on coordinated infrastructure meets the following criteria:
  - 2.2.1. Will be a sensible and necessary cost;
  - 2.2.2. Will be treated as an allowable cost in any future cost assessment process;
  - 2.2.3. Will meet the needs set out in the HND for developers in the PT2030 workstream
- 2.3. The ESA is mandatory for any developer(s) looking to make Anticipatory Investment in offshore coordinated infrastructure.
- 2.4. In addition to this, the ESA will also be used to provide an initial spend profile and cost figure to the ESO so that User Commitment Arrangements for the potential later user(s) can be established.

### Timing of Submission

- 2.5. We require applicants to have a clear understanding of the offshore transmission infrastructure in which they are investing, and which will be used by the later user.

- 2.6. Applicants are expected to apply for an assessment at the point in the project development process most suitable to them. Provided the applicant(s) has met the criteria for our Eligibility Assessment, there are no specific requirements on the applicant(s) as to which stage they must be in the project development process to undertake the ESA.
- 2.7. The framework is intended to be as flexible and adaptable as possible, to reflect the likely different circumstances for each project.
- 2.8. The applicant will need to take into consideration the time taken by Ofgem to assess their submission while planning when to submit. Once the applicant has submitted their application, if the cost relating to the AI changes, we expect developers to inform us as soon as possible. We will be able to provide greater certainty for applicants who provide credible evidence for their cost estimates.
- 2.9. The potential later user(s) is required to acknowledge and agree to any application made in writing, prior to any application being submitted.

## **Overview of the Early-Stage Assessment Process**

### **Application Submission**

- 2.10. The ESA consists of two parts: the Eligibility Assessment and the Technical Assessment. Both parts of the ESA application will need to be made at the same time.
- 2.11. The ESA process only applies to projects which include Anticipatory Investment, other offshore projects will follow existing processes.

### **Eligibility Assessment**

- 2.12. The Eligibility Assessment will require evidence of the offshore wind projects and users involved in the shared offshore transmission assets incorporating Anticipatory Investment. It also requires proof of the later user acknowledging

and accepting the initial user's intent to submit an Early-Stage Assessment application on their behalf. More information is provided in Section 3, below.

### **Technical Assessment**

2.13. The Technical Assessment requires the applicant(s) to provide a detailed description of the relevant projects involved in the shared offshore transmission assets, clearly indicating which assets will be included in the Anticipatory Investment.

### **Review Period**

2.14. Upon receipt of an application, the review period will commence. Subject to any additional information being required from the applicant, we will complete our reviews within a four-month period. We will assess whether each application meets the objectives of the OTNR and whether it benefits from our proposed changes to allow the Anticipatory Investment to be recovered through the OFTO transfer process, following the cost assessment stage.

2.15. We will assess and provide a response for the Eligibility Assessment within twenty-eight calendar days. Once we have confirmed whether a proposal satisfies the conditions of the Eligibility Assessment, we will then progress onto the Technical Assessment. Our aim will be to conclude the Technical Assessment within approximately four months, provided that we have been given all information necessary to make that assessment.

2.16. If an application does not contain enough information to allow us to fully assess the application, we will usually request additional information for the purposes of our review. We will only be able to undertake our assessments and reach an outcome for an application once we have the required level of information to do so.

2.17. Where we request further information, we will indicate a date by which that information is to be provided. When additional information is requested, the review period may be paused or restarted.

- 2.18. In the instance where the applicant(s) fails to submit any additional information by the required date, we may either complete the assessment without considering the additional information, or in some circumstances we may not be able to complete our assessment. Applicants should adhere to any timescales provided wherever possible and should make us aware as soon as possible if additional time is needed to gather and submit the required information.
- 2.19. To avoid any delay or extension to the expected review period, we will regularly engage with applicants so that they have a contact point for raising and resolving issues and feel supported throughout the application process.
- 2.20. We may choose to discuss matters relating to the proposed Anticipatory Investment with other interested parties, including The Crown Estate and Crown Estate Scotland, the ESO and the Department for Energy Security and Net Zero. We will ensure any such discussions are only to the extent necessary to fully assess the application.

### **Assessment Outcome**

- 2.21. The outcome of the ESA will be communicated to the applicant(s) in a decision from Ofgem providing an indication on the extent to which the applicant making the Anticipatory Investment would, in principle, be able to recover that cost as part of the final transfer value of the offshore transmission assets to the OFTO, following any future cost assessment process.
- 2.22. In addition to this, we will provide an initial spend profile and indicative Anticipatory Investment cost figure to the ESO so that User Commitment Arrangements for the potential later user can be established. Section 15 of the Connection and User of System Code (**CUSC**) sets out how liabilities are calculated and the security arrangements that will be required in respect of this.<sup>4</sup>

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<sup>4</sup> [NG Electricity System Operator | Guidance for Customer Securities \(CUSC Section 15\)](#)

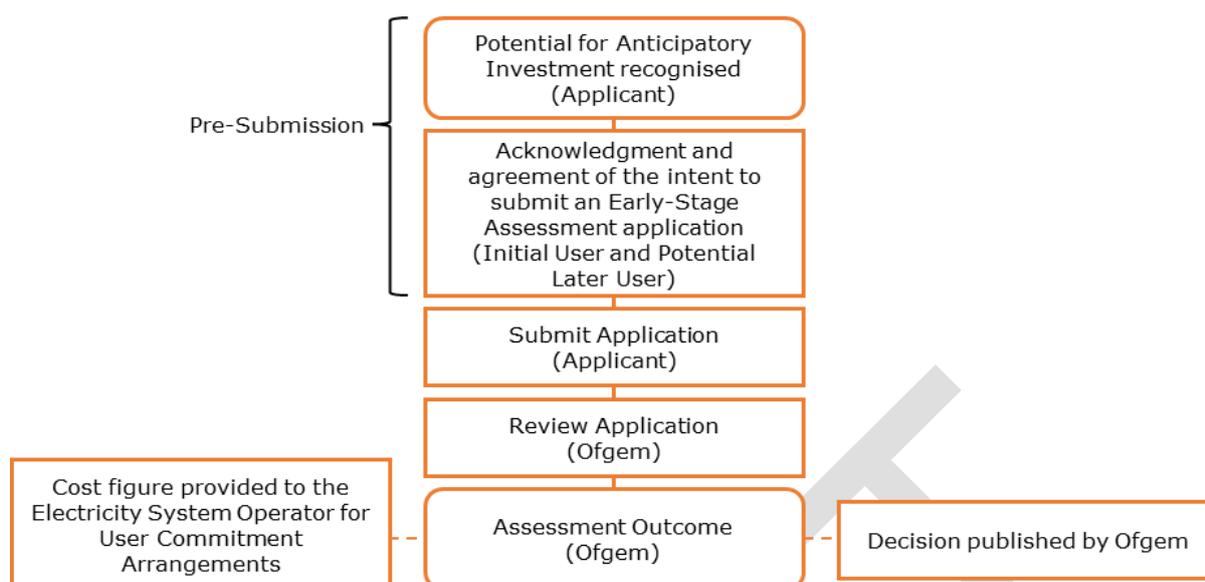


Figure 1 - Overview of Early-Stage Assessment

## Cost Review Stage

- 2.23. As part of the Technical Assessment, we will conduct a cost review. The cost review stage of the process will provide an estimate of costs that we consider ought to be incurred in the provision of the proposed Anticipatory Investment.
- 2.24. The purpose of this cost review is to provide an indicative value for the Anticipatory Investment to be transferred to the later user, by calculating the appropriate costs which ought to be, or ought to have been, incurred in connection with developing and constructing the coordinated solution.

## Costs of the Anticipatory Investment

- 2.25. To assess whether the cost of the Anticipatory Investment is a reasonable estimate, we will compare the applicant's cost submissions with costs from other transmission projects we have assessed (making allowances for project specific elements) and the cost data held by Ofgem and our advisers. Following the identification of any cost anomalies, we will discuss the reasons for these differences with the applicant(s) to inform our review.

- 2.26. As noted earlier, applicants have the flexibility to submit at an early stage should they decide to. We will be able to provide a greater level of certainty to applicants who provide evidence-based costs for the proposed Anticipatory Investment. Where developers apply with cost estimates and later find that the cost relating to the Anticipatory Investment has changed, we expect developers to inform us as soon as possible.
- 2.27. One of the outcomes of the cost review stage is to provide the applicant(s) and the ESO with the value of the Anticipatory Investment cost figure. Costs indicated at this stage may be revisited in any future cost assessment stages.

## 3. The Early-Stage Assessment Process

### Section summary

This section provides a detailed breakdown of the key aspects involved in the ESA process.

### Assessment Requirements

3.1. The application consists of two main parts:

- 1) Eligibility Assessment**
- 2) Technical Assessment**

3.2. The Eligibility Assessment requires evidence that all the offshore wind projects involved in the shared offshore transmission assets incorporating Anticipatory Investment meet the following criteria (as appropriate):

3.2.1. Each project requires a valid and enforceable Agreement for Lease (**AfL**) with The Crown Estate or Crown Estate Scotland;

3.2.2. For projects in scope of the Early Opportunities workstream, each project requires a Connection and Infrastructure Options Note;

3.2.3. For projects in scope of the Pathway to 2030 workstream, each project requires a connections agreement and needs to be included in the HND or HNDFUE;

3.2.4. Each application is required to include a joint letter showing the potential later user's acknowledgement and agreement with the application being submitted. The joint letter must also show confirmation that the later user is willing to take responsibility for constructing the coordinated asset(s) should the initial user be materially delayed (to the extent where the later user becomes the first mover).

- 3.3. A joint letter will ensure that the potential later user is not delayed from connecting, and the coordinated solution is still carried forward. Should the potential later user become responsible for the delivery of the coordinated solution, they will be required to carry it out within the broad cost agreed between Ofgem and the initial user at the ESA stage.
- 3.4. The Technical Assessment requires the applicant(s) to provide a detailed account of the Anticipatory Investment being proposed alongside a specific set of criteria. A detailed description of what is expected can be found in Appendix 1, and can be summarised as follows:
- 3.4.1. a description of the projects connecting to the shared offshore transmission assets including an overview of the existing and planned commercial arrangements and structures between the project companies involved;
  - 3.4.2. a detailed description of the proposed coordinated solution and the asset(s) being built on behalf of the potential later user(s);
  - 3.4.3. a breakdown of the associated cost of the proposed coordinated solution, detailing the parts of the offshore transmission assets in respect of which Anticipatory Investment will be made and clearly explaining which costs are part of the Anticipatory Investment (rather than wider project costs);
  - 3.4.4. a detailed timeline for both the initial user and potential later user through to energisation of the system and proposed asset transfer date to the OFTO;
  - 3.4.5. a risk log which includes any risks which may have an impact on the development, construction and/or completion of the proposed coordination solution;
  - 3.4.6. an options analysis of alternative coordinated solutions, with costings and justification for the selected solution;

- 3.4.7. an indicative breakdown of the monetary benefit for consumers/developers/other parties as a direct result of the proposed coordinated solution;
- 3.4.8. for projects within the scope of Early Opportunities, a detailed breakdown of the additional benefits including (but not limited to) environmental and social benefits, to allow us to assess whether each proposal meets the objectives of the OTNR;
- 3.4.9. subject to section 3.5 below, a confirmation that the proposal is aligned with the coordination set out by the ESO in the HND.
- 3.5. If the applicant is unable to provide the requested information, they must provide an explanation as to why, together with any supporting documentation which the applicant(s) considers relevant. It is at our discretion to consider the application and decide whether to allow it to proceed and/or whether, and what, further information may be required.
- 3.6. For PT2030 projects, any coordinated solution which is included in the HND or HNDFUE has already been assessed in this regard. There will not be a requirement for a CBA by developer(s) submitting proposals which are consistent with the coordination included in the HND or the HNDFUE.
- 3.7. For non-radial offshore transmission projects within the scope of PT2030, if the proposal coordinated solution set out in the application varies from the HND, the differences must be detailed together with an explanation of how the proposal submitted meets the objectives of the OTNR.
- 3.8. Where the developer has proposed a coordinated solution which has been included in the HND but with a variation, we may request an additional CBA which meets the conditions specified in 3.8.1, 3.8.2 and 3.8.3 below.
- 3.9. Where a coordinated solution put forward by a developer in the PT2030 workstream varies from the HND or HNDFUE, we expect to see a detailed CBA for the proposed Anticipatory Investment. This must include the following:
  - 3.9.1. an indicative summary of the cost for the proposed Anticipatory

- Investment and avoided cost for any potential later user(s), the consumer, and any other impacted parties;
- 3.9.2. an options analysis, with costs, which breaks down the benefits and disbenefits for each of the potential coordinated solutions which require Anticipatory Investment to be made and justification for the proposed coordinated solution selected; and
- 3.9.3. a qualitative breakdown of the additional benefits of the proposed coordinated solution; this must include environmental and social considerations.
- 3.10. If the proposed coordinated solution has been included in the HND, a CBA will not be necessary unless there is a variation and Ofgem have requested for it to be provided by the applicant(s).

## **Cost Review**

- 3.11. The cost review will follow the same principles as we currently use for offshore transmission cost reviews. This is contained in the Offshore Transmission Cost Assessment Guidance.
- 3.12. As part of the cost review, we will focus on two main aspects:

## **Project Design**

- 3.13. The main purpose of the project design is to ensure that the project design is functionally appropriate for the connected generation. The project design requires us review the overall design of the coordinated solution, including features such as the choice of electrical design, procurement plan and efficiency, risk logs and the technology options evaluated.
- 3.14. If all or part of the project design is considered inefficient, we will discuss this with the applicant(s) to inform our review.

### **Costs for Anticipatory Investment**

- 3.15. To consider the costs submitted by the applicant, we will compare the applicant's cost submissions with costs from other transmission projects we have assessed (making allowances for project specific elements), and the cost data held by Ofgem and our advisers. Following the identification of any cost anomalies, we will discuss the reasons for these differences with the applicant(s), to inform our consideration of the costs.
- 3.16. For costs to be considered eligible for recovery at a later point, the costs submitted must be evidence based, with clear rationale for the costs included in the submission. Any shared work or assets being proposed must have any allocations clearly indicated with the methodology and the reasons for using that allocation explained in detail. The applicant is required to provide as much detailed evidence as possible to allow us to provide greater certainty that the costs will be recoverable through the cost assessment process.
- 3.17. As the cost at this stage will be mainly estimates, any cost agreed in principle at this stage will be ringfenced. In any future assessment these Anticipatory Investment costs will be subject to our standard forensic process of verifying that they were incurred in constructing the part of the offshore transmission assets intended for use by the potential later user as set out in the ESA and the actual amounts incurred. This involves verification of invoices submitted by contractors, through to the actual payments being made by the developer. Any costs not evidenced as being incurred in carrying out the Anticipatory Investment work will not be included in any future valuation.
- 3.18. The outcome of the cost review stage is to set out the Anticipatory Investment cost figure, which includes any interest during construction (**IDC**), to be provided to the ESO and to the applicant in a decision.

### **Timely provision of data throughout the process**

- 3.19. Under the ESA process, the Authority can require the applicant to submit further information to assist in the cost review. Where the Authority requests further information, it shall indicate a date by which that information is to be

provided. This will usually extend the review period by the number of days the applicant takes to provide the additional information – although in some cases this may lead us to restart the process, subject to the nature of further information provided. Where a developer fails to submit the information by the required date, the Authority may decide not to take into account the information provided when determining the value of the Anticipatory Investment that is taken forward. In some circumstances, outstanding information may mean we cannot complete our assessment.

### **Interaction with Later User(s)**

- 3.20. The potential later user is a key stakeholder in the ESA application. They are expected to be a user of any coordinated infrastructure and will contribute to the Anticipatory Investment costs once connected via Transmission Network Use of System (**TNUoS**) tariffs, with the costs recovered via the Transmission Demand Residual (**TDR**) charge prior to the later user connecting.
- 3.21. As part of the ESA submission, we expect written confirmation from the potential later user, which demonstrates its consent to the Anticipatory Investment being made on its behalf in respect of the coordinated infrastructure which will be used by it.
- 3.22. We recognise that there may be a circumstance in which the initial user's project is delayed, and the later user wishes to assume responsibility for building the coordinated asset. We expect the initial user to inform Ofgem of the delay as soon as practicably possible.
- 3.23. If the initial user's project is delayed to such an extent that the user originally designated as the later user will take its final investment decision earlier than the initial user, we expect the later user to take responsibility for the construction of the coordinated asset. We expect any formal communication submitted, as part of the ESA, from the initial user to also show confirmation that the later user is willing to take responsibility for building the asset should the initial user become delayed to the extent that project delivery is expected after the planned later user.

- 3.24. In these circumstances, both users will be expected to also inform the ESO for the purposes of correcting User Commitment payments.

### **Material Change to Anticipatory Investment Proposals**

- 3.25. Given the preliminary stage at which the ESA will take place, cost variations may be expected as the project progresses. We understand that costs can change and are not fixed until projects have undertaken a procurement process.
- 3.26. We require timely notice of any projects who experience a material change in the Anticipatory Investment cost or technical specification once their ESA outcome has been decided. In respect of projects seeking changes to the Anticipatory Investment proposals, we may request a secondary (albeit more streamlined) ESA.
- 3.27. Once the applicant informs Ofgem of a change to their proposal, we will inform the applicant whether a secondary ESA will be required within twenty-eight calendar days. We may request supplementary information before or during the secondary assessment to help inform our decision.

## **Appendices**

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## **Appendix 1 –Application Requirements**

### **Overview**

As set out in the main body of this document, for us to be able to undertake our ESA, we need to be provided with reasoning supported with evidence for the proposed coordinated solution. This appendix provides guidance on how applicants are expected to prepare their submissions for our review, and some of the key documents that we require.

As we review applications, we may request further information from applicants to ensure we have a complete understanding of the project and its associated costs.

### **Eligibility Assessment**

The purpose of the Eligibility Assessment is to ensure the project is sufficiently advanced before applying under the ESA. The applicant(s) must provide the following:

- A digital copy of their AfL with the Crown Estate or Crown Estate Scotland;
- A digital copy of their connection agreement;
- A copy of a joint letter from the applicant(s), i.e., the initial user and later user showing agreement to the coordinated and the later user taking responsibility for delivering the asset should they reach their construction phase before the initial user.

### **Technical Assessment**

The purpose of the technical assessment is to provide a general overview of the project, explain to us the benefit of the coordinated solution and summarise the project costs at a high level.

This section requires applicants to provide a clear rationale for the coordinated solution, any assumptions that impact project costs must be clearly explained in the narrative. Applicants are required to submit a document that provides complete transparency on the reasoning behind the coordinated solution and its costs.

The table below sets out the main requirements for the technical assessment. However, this list is not exhaustive. Where there have been any notable changes to the project, these need to be clearly explained and justified in the relevant application.

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<b>Technical Assessment Criteria</b>	<b>Requirement</b>	<b>Application Area</b>
A description of the relevant offshore wind project(s)	General overview of the project, including ownership, connection points and asset type. Also including an overview of the existing and planned commercial arrangements and structures between the project companies involved	Narrative
Detailed description of the proposed coordinated solution and the Anticipatory Investment required to deliver coordination;	Breakdown of the coordinated solution, including asset type(s) and total cost to reach said solution.	Narrative
Breakdown of Anticipatory Investment costs	Breakdown of the cost associated to the Anticipatory Investment. This figure will be assessed at a high level and used to calculate User Commitment charges for the later user.	Cost Spreadsheet
Project timelines	Detailed breakdown of the timeline from early project planning through to energisation of the project(s).	Narrative
Risk log	Itemised risks to the project as a whole and to the coordinated solution. This must include monetary implications where possible. Each risk must include a probability and impact ranking and any mitigations that developer(s) have made.	Risk spreadsheet
Cost Benefit Analysis / Quantitative benefits	A breakdown of the monetary benefits to developer(s), consumers, and other stakeholders where relevant against the cost expected to be incurred.	Narrative/Supplementary document
Options Analysis	Breakdown of alternative coordinated solutions considered. This must include justification for preferred option.	Narrative/Supplementary document

Qualitative benefits	Breakdown of hard-to-monetise benefits, including environmental and societal benefits and contribution towards achieving OTNR objectives.	Narrative/Supplementary document
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## **Practical Guidance for Submissions**

All cost-related submissions must be submitted in Excel format.

Documents or reports must be submitted in Word or PDF document formats.

The narrative must be submitted in both PDF and Word formats.

File/folder names must not contain any of the following characters in the title:

% ~ & \ # / : \* ? " < > | { }

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## Appendix 2 – Glossary

### A

#### **AfL**

Agreement for Lease

#### **Anticipatory Investment**

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

#### **Applicant**

By “applicant” or “applicant(s)”, we refer to the person(s) making a formal application for the Early-Stage Assessment. The terms “applicant”, “applicant(s)” and “developer” are used interchangeably in this document.

#### **Authority**

The Gas and Electricity Markets Authority established by Section 1(1) of the Utilities Act 2000. The Authority governs Ofgem. “Ofgem”, “the Authority” and “we” are used interchangeably in this document.

### C

#### **CBA**

Cost Benefit Analysis

#### **CfD**

Contracts for Difference

#### **CUSC**

Connection and Use of System Code

### D

#### **Developer**

In respect of a generator build offshore transmission project Section 6(2)(a) defines such a person as ‘the person who made the connection request for the purposes of which the

tender exercise has been, is being or is to be, held'. In practice, such person is also the entity responsible for the construction of the Generation Assets and, under Generator Build, the Transmission Assets. Under Generator Build, this is the person who requests that Ofgem commence the Tender Process in respect of a proposed project. The developer in this case will be responsible for the construction of the generation assets as well as the transmission assets. The developer will make submit the ESA application and the terms "developer" and "applicant" are use interchangeably in this document"

## **E**

### **ESA**

Early-Stage Assessment

### **ESO**

Electricity System Operator

## **H**

### **HND**

Holistic Network Design (for the purposes of this guidance this also includes the HNDFUE

### **HNDFUE**

Holistic Network Design Follow-Up Exercise

## **I**

### **IDC**

Interest during construction

### **Initial User**

We refer to the developer making the investment in the shared asset as the initial user.

## **L**

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**Later User**

We refer to the developer or developers that will use the shared asset in the future as the later user once connected.

**O**

**Ofgem**

Office of Gas and Electricity Markets. Ofgem is governed by the Gas and Electricity Markets Authority established by Section 1(1) of the Utilities Act 2000. "Ofgem", "us", "we" are used interchangeably in this document.

**OFTO**

Offshore Transmission Owner

**OTNR**

Offshore Transmission Network Review

**P**

**PT2030**

Pathway to 2030

**Potential Later User**

We refer to the developer or developers that will use the shared asset in the future as the potential later user until such time as they connect.

**T**

**TO or Transmission Owner**

An owner of a high-voltage transmission network or asset.

**TDR**

Transmission Demand Residual is the mechanism used to ensure overall allowed revenues are recovered, and it remains positive.

**TNUoS**

Transmission Network Use of System

**U**

**User Commitment Arrangements**

Prospective users are required to demonstrate their commitment to developing their scheme by putting in place user commitment arrangements which place liabilities on them in respect of the investment being undertaken on their behalf. Section 15 of the CUSC sets out how these liabilities are calculated and the security arrangements that will be required in respect of this.

DRAFT