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# **Ørsted response to the Centralised Strategic Network Plan: Consultation on framework for identifying and assessing transmission investment options.**

01 September 2023

Our ref. Ofgem CSNP Consultation 2023

Dear Konark Anand,

Ørsted welcomes the opportunity to contribute to the discussion on the Centralised Strategic Network Plan (CSNP).

The Ørsted vision is a world that runs entirely on green energy. In the UK, we develop, construct, and operate offshore and onshore wind farms, battery storage and solar projects. Globally, Ørsted is the market leader in offshore wind and it is constructing the world's biggest offshore wind farms off the East Coast of the UK.

This consultation is particularly welcome given the wider focus on improving the UK's electricity network and creating a future-focused long-term strategy. The challenge of delivering an electricity network fit for the future was recently outlined by the Electricity Networks Commissioner report on "Accelerating electricity transmission network deployment". The report highlighted the ongoing difficulties within the grid connections process, with connection dates for some renewable assets falling beyond the 2035 target date for electricity system decarbonisation. As part of a series of recommendations, the report also underlined the need for strategic planning of the grid, particularly a "Strategic Spatial Energy Plan".

Ørsted supports the recommendations made by the Commissioner and can see a consensus forming on this issue through both Government commitments for increased grid investment and significant policy engagement through the Review of the Electricity Market Arrangements (REMA). As such, we believe that activity to deliver on these proposals should begin immediately and we hope that UK Government, Ofgem, and the future FSO continue to align their strategies to deliver on the planned reforms to the electricity network.

Ørsted would like to express its support for the proposals outlined in this consultation. We have a few outstanding principles which have been outlined below. Please find responses to specific questions in the annex below.

### **Assurance about the FSO's capacity for this scope of work is required**

Ørsted welcomes, in principle, the FSO's delivery of the CSNP. However, there are concerns that the successful delivery of the CSNP is heavily reliant on the premise of a well-resourced, efficient FSO.

We are concerned by the fact that recent initiatives aimed at addressing the networks challenge have harmed investor confidence in the capability of central bodies to deliver systems change: the Pathfinder process of the Offshore Transmission Network Review (OTNR), aimed at accelerating the deployment of renewables through the connections process, has suffered delays and has not delivered on its intended outcome. Significant effort has been expended in putting projects through the process, which has had unforeseen blockers and has been extremely challenging to manage. These effects remove confidence in existing measures to address the issue.

Similarly, the Holistic Network Design (HND) has been significantly delayed, meaning that high volumes of renewable capacity are exposed to an increasing level of development risk. Ultimately, development risk would be significantly lowered if there were greater confidence that the outputs of planning exercises and related initiatives can be delivered in a timely manner.

Assurances must be provided that the FSO will receive the necessary funding, resourcing and support to take on this widened scope.

### **Transparency of the decision-making process of the FSO is essential**

Ørsted would urge the FSO to consult developers and third parties on its methodology and decision-making process. The existing process relies on a wide range of decision makers and stakeholders, which naturally has caused challenges. That said, in order for the FSO to successfully bring this decision-making responsibility together, it must first consult with those stakeholders that have built up years of experience of working with the current process.

We note in particular the FSO's proposed move to a nodal assessment of systems need, an extension of the time horizon out to 2050, and changes to the CBA process as areas in which it is important that the FSO shares its methodology with relevant stakeholders. In particular, the manner in which CBAs may be carried out will have a direct impact on the delivery of network development, and therefore may affect third parties and developers in delivering projects on time.

We have seen these challenges arise through the Crown Estate's centralised pre-consent survey work in the Celtic Sea. As yet, The Crown Estate has not shared its survey methodology with developers, which has created uncertainty about the quality and application of this data. The FSO must avoid similar risks by giving visibility of their methodologies to prospective delivery bodies and third parties.

Obscurity of process will only lead to further delays and will increase the uncertainty of project delivery.

**The role of developers and third parties in this process will need to be further defined**

Ørsted welcomes the prospect of a future network that is centralised and strategically planned. However, the important role played by renewable energy developers and third parties must be acknowledged and further clarified.

We welcome the FSO's suggestion to support the offshore asset development process. Collaboration between the FSO and industry will be essential in progressing OHA projects as efficiently as possible, particularly for such projects to secure connections in a timely manner. However, we believe that developers and third parties will remain best placed to propose OHA projects. We see the FSO playing an important role in supporting the industry to propose new OHA projects, rather than replacing that function. We would welcome clarity on how exactly the FSO and developers would interact and a clearer definition on the roles that each stakeholder would take.

We would welcome the opportunity to engage further with Ofgem on any of the above points or further points in the annex. If you have any questions, please reach out to [JACOU@orsted.com](mailto:JACOU@orsted.com).

Yours sincerely,

**Jack Counihan**

Regulatory Affairs Advisor

## **Annex**

### **Qn 1. Do you agree with our broad regulatory approach to establishing the FSO's obligations to deliver the CSNP products?**

Yes, we agree with the proposed approach.

It is important that the delivery of this approach is made as part of the licence conditions. Firstly, so that the industry is at a minimum not at any disadvantage in terms of information flow compared to the existing setup of ETYS, NOA etc. Secondly, it is important that industry can rely on the delivery of the updated CSNP products on a regular basis and that these products align or improve the timelines for delivery of SO plans compared to current timelines for the various publications.

### **Qn 2. What are your views on the types of system need that we have proposed are covered by the CSNP? Are there any gaps?**

We agree with the proposals listed.

### **Qn 3. Do you agree that the time horizon for system need assessment should be extended to 2050?**

Yes, we agree that the time horizon needs to be moved out.

However, we would like to note that it will be more challenging to accurately quantify system need in real terms further out along the time horizon. Further details on the proposed process for assessing this longer-term forecast would be welcomed.

### **Qn 4. Do you agree that the FSO should move to a year-round nodal assessment of system need as part of the CSNP?**

We agree that the FSO should move to a year-round nodal assessment of system need. With advances in modelling capabilities, there is benefit to be found by moving to a modelling system on a year-round nodal basis. It would more accurately reflect the volume of issues and, more importantly, how often these issues occur, as opposed to the existing winter peak boundary view. This information would be valuable for assessing the reinforcements of least worst regret across a range of scenarios. We would ask that, in the interest of transparency, nodal information such as the volume of constraints per node is published by the FSO.

We would like to caveat this agreement by clarifying that the system and its planning are different and distinct to the market and its price formation. It is therefore important to make a clear distinction between the benefits of a nodal assessment of system need and nodal pricing. While assessment of need at a nodal level may be a sensible system, moving to regional, or nodal, pricing of energy would not facilitate a more flexible development of grid infrastructure without further intervention. In our view, there is no evidence in the nodal markets that sharper price signals achieve improvements regarding development of grid infrastructure.

**Qn 5. We welcome stakeholders' views on how the FSO can communicate effectively about future system needs?**

We strongly believe that transparency and clarity will be a key marker of success for the FSO. It is important that the FSO communicates with its wide range of stakeholders in a clear and consistent manner.

Alignment between the FSO and TOs, as well as other delivery bodies, is vital. The future of networks will require a whole system approach with a much greater degree of coordination, and it is vital that both system operator and transmission owners work to deliver against the same goals and vision.

There is also a variance of technical knowledge among stakeholders. The FSO should ensure that they can communicate to technical stakeholders, who will want to understand the modelling methodology, assumptions and input and output data and ideally the model would be made available. Other stakeholders will want the high-level overview, including where bottlenecks exist, what it means for constraints at a particular node and where opportunities exist to help address those needs.

**Qn 6. What are your views on the FSO establishing minimum design requirements for high-level option designs and are there areas where exceptions are needed?**

We agree that minimum design requirements for high-level option designs should be required but we are unsure if it is feasible or desirable for the FSO to be specific on the requirements on a generic basis across all project types. Our view is that the FSO would need different requirements for different options. For example, non-wires solution would have different requirements to traditional network reinforcement solutions.

**Qn 7. Do you have any views on our proposals for considering environmental and community impacts as part of high-level design of options?**

We agree that environmental and community impacts should be examined early in the design phase, and we welcome the FSO's intention to conduct a SEA as part of the CSNP process. As acknowledged in point 5.21, Ørsted concurs that it is essential that the FSO is sufficiently equipped to deliver an SEA in a timely manner and to an adequate level of detail. To provide confidence and certainty to developers, Ørsted is in favour of reviewing and possibly providing comment on draft guidance on how environmental and community impacts will be considered at the high-level design stage.

**Qn 8. Do you have any views on our proposal for the FSO to independently decide which network needs it may lead the high-level design of?**

We have no objection to the FSO independently deciding which network needs it may lead the high-level design of. However, there will need to be transparency and justification for these decisions.

**Qn 9. Do you have any views on our proposal for the FSO to set out how and when third parties can be involved within the CSNP?**

We support the need of the FSO to set out how it plans to engage with third parties.

**Qn 10. Do you have any views on our proposals on data exchange to enable the implementation of CSNP?**

No comment.

**Qn 11. Do you have any views on our proposals regarding the principles to be followed in the CSNP decision-making framework?**

We broadly welcome the principles proposed.

**Qn 12. Do you have any views on our proposals on the decision-making framework for selecting potential projects to address longer-term system needs?**

We agree in principle with the proposal, but would like to reiterate the need for transparency in decision-making. For instance, it would be helpful to be provided with a weighting of the different elements of the proposed framework, and greater clarity on how the framework will be used in practice. Our view is that some form of net zero consideration should be included as part of the decision-making.

**Qn 13. Do you have any views on the decision-making framework to bring potential projects into the ‘delivery pipeline’ for nearer-term needs?**

Once again, we would request that more clarity is provided on the FSO's CSNP methodology in order to evaluate this in more detail.

**Qn 14. We would welcome views on our proposal to not re-evaluate projects that are in the delivery pipeline, and whether a materiality trigger is appropriate and what criteria might be used?**

We approve in principle with this proposal. However, we foresee some situations in which it is necessary to revisit projects. For example, if a previous project triggers an uprate of an overhead line and the uprate is set to the minimum level and a subsequent project requires a larger uprate of the same line, we would want the project revisited if it was in the funnel. In this case, we would need clarity that certain, specific considerations such as this would enable the re-evaluation of projects.

**Qn 15. Do you have any views on our proposal on inclusion of environmental and community impacts in the CSNP CBA?**

In principle, Ørsted supports the inclusion of environmental and community impacts in the CSNP CBA. However, the FSO will have to provide clarity about how environmental and community impacts are assessed in the CSNP.

Transparency is required in order for developers to have confidence in the methodology. We support the assertion that there is a trade-off to be made between financial cost and environmental/community value, but it is important that developers are aware of how this trade-off is determined, as we anticipate that developers are likely to be implementing planning and consents work based on the

initial work of the FSO. It is therefore important to involve developers, TOs and other key delivery bodies in the FSO's CBA process at an early stage.

As mentioned previously, we have seen some recent examples in which central bodies have not coordinated with stakeholders adequately, to the detriment of project timelines. In the Celtic Sea, the Crown Estate's environmental surveys have likely been delivered too late to derive their intended benefit of expediting the consenting process. The Crown Estate have also not yet revealed their methodology to the environmental regulatory bodies nor interested bidders, leading to uncertainty that the surveys will be completed to an adequate standard. We welcome the move to improving and speeding up the existing regulatory process, but want to stress the need for parties to act collaboratively, as uncoordinated decision-making may result in overlapping or conflicting timelines in the development of projects.

While the HND could provide a model for the cost-benefit analysis, it is too early in the process to determine the regime as a success. Alternatively, Ørsted hope that the CBA process builds upon the existing Connection and Infrastructure Options Note (CION) process in which the ESO invites developer input on environment and consenting issues.

**Qn 16. Do you have any views on our proposal for the CSNP to include a methodology for assessing and taking forward system operability solutions?**

We would welcome a better view on forecasted scarcities that developers can help address.

**Qn 17. Do you agree with our proposal for the ESO to review its current approach to assessing short and long-term solutions, and for the FSO to set out its approach in the CSNP Methodology?**

We agree in principle that the ESO should review its approach. Any change in approach should lead to a longer-term solution, but we accept that there may be a need for short-term solutions to bridge the gap in the interim.

**Qn 18. Do you have views on our proposals for FSO to develop capabilities to consider different combinations of options and how this should be implemented?**

We would welcome a clearer view on the FSO's proposed use for this expanded capability. Ørsted supports a future network which enable the co-location of technology types and flexibility of projects. While we welcome the FSO's proposal to consider different combinations of options, we would have questions about how this would work in practical terms.

**Qn 19. Do you agree with our proposal to introduce a requirement, as part of the new CSNP licence condition, for the FSO to make recommendations on additional interconnection and OHAs opportunities between GB and other markets?**

While we agree that the FSO should have a remit to make recommendations on additional interconnection, we would like to ensure that this process does not

preclude developers from proposing projects that can provide value to the system. Interconnector companies and offshore wind developers have already shown an appetite for developing OHA projects through the MPI Framework Discussion Group (MFDG) and significant work has gone into the OHA development process to date. The FSO must ensure that developers and interconnector companies remain a key part of this process going forward.

**Qn 20. Do you agree with our proposal that the FSO should use reasonable endeavours to support relevant stakeholders as part of the offshore asset development process?**

Yes, we agree with this proposal.

In terms of the existing development process, we would suggest that the main reason for delays to the environmental assessment primarily come from not knowing the location of the onshore connection point. Currently offshore projects face a 12-month delay from site award before knowing where their onshore connection site will be, due to grid connection activities and the HND assessment, where applicable.

In our view, the FSO should engage early with all stakeholders, including offshore leaseholders, to determine the location of the onshore connection point. This could be done by bundling a grid connection location to a seabed lease agreement, which could facilitate faster development of offshore projects. This would remove this 12-month delay, as it would mean that the environmental assessment could be kicked off as soon as the site is awarded. In our view, the FSO should pursue this as the main objective in using its reasonable endeavours.

**Qn 21. Do you agree with our proposal that the FSO assess third-party options under the CSNP and recommend delivery by competition where proposed solutions meet the relevant competition criteria?**

Yes, we agree broadly with the proposals. The role of competition in delivering and owning onshore transmission networks is to protect consumer interests and reduce costs. While this may not be appropriate in certain cases – particularly those reinforcements that are critical – Ørsted can see a role for competition when onshore reinforcements are physically located offshore. Offshore developers are experienced in delivering such infrastructure and may be better equipped than the onshore TO to bring assets through in a timely manner.

**Qn 22. What are your views on whether changes to the SQSS or obligations on licensees are needed to support the CSNP – where specifically are these changes needed and when do they need to happen by?**

No comment.

**Qn 23. Do you agree that the FSO should evaluate the climate resilience of the long-term whole-system CSNP?**

Yes, we agree with the proposal.



**Qn 24. Do you agree with the proposed position on the treatment of connections in the CSNP?**

Yes, we agree with the proposed position.

As in our answer in Qn 20, we see a key role for the FSO in engaging early with developers in order to secure an earlier connection agreement. Bundling connection locations with seabed lease agreements could remove the 12-month delay currently faced by developers post-site award.