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Via Email to:Cap.Floor@ofgem.gov.uk; CBMA@ofgem.gov.uk

July 17, 2023

Attention: Nick Pittarello, Joshua Coomber, Richard Harrap, and Bartosz Slota,

NON-CONFIDENTIAL RESPONSE

Consultation on the Regulatory Framework, including Market Arrangements, for Offshore Hybrid Assets: Multi-Purpose Interconnectors and Non-Standard Interconnectors

Fred. Olsen Seawind (FOS) is delighted to respond to this consultation. FOS was established as a separate offshore wind-focused development company in 2021 and builds on the strong onshore wind track record of Fred. Olsen Renewables as well as the maritime heritage of the Fred. Olsen group: including Fred. Olsen WindCarrier responsible for the installation of 20% of the world's offshore wind turbines outside of China and Fred. Olsen 1848 developing and commercialising renewable energy innovations.

FOS welcomes the opportunity to respond to the consultation by OFGEM on the Regulatory Framework, including Market Arrangements, for Offshore Hybrid Assets: Multi-Purpose Interconnectors and Non-Standard Interconnectors.

Multi-Purpose Interconnectors and Non-Standard Interconnectors will play a major role in bringing about the required electricity capacity being developed offshore and in achieving the UK net zero targets.

We note that our response is regarding this consultation alone and does not consider other aspects of the energy bill which may be amended during passage in parliament. Although we have not responded to every question in the consultation, we do express our thoughts on some of the pertinent matters as stated below:

- The use of a wider common term such as Offshore Hybrid Asset in reference to Non-Standard Interconnectors and Multi-Purpose Interconnectors is welcome. More so because category 1 and 2 assets have been referred to historically as MPIs.

- We do not have any strong feelings about the proposal to use the term Non-Standard Interconnectors (NSIs) for category 1 assets.

- The licensing regime proposed for NSIs and MPIs is clear and succinct. It distinguishes who has generating and transmission capacity in GB(MPIs) and assets that have only transmission in GB(NSIs)

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- With regards to cost, benefits, and revenue sharing boundaries of an MPI or NSI, we are interested in both approaches being taken forward on a case-by-case basis.

- Developing Offshore Hybrid Assets pose a significant amount of logistic, technical, and permitting challenges. Applying Reasonable Delay Event Mechanism to these projects would not only make sense but also is practical. We agree with the proposal to apply such mechanisms to OHAs.

- We recognize the additional risks associated with developing MPIs and NSIs relative to point-to-point interconnectors such as 1) technological risks with respect to developing HVDC terminal is not well developed. 2) there are also different political risks at either end of the asset.

- We understand that cap and floor has its place with respect to the proposed regime concepts. However, there is a place for considering RAB.

- Applying a RAB regime to features of the offshore platform elements is fair as it allows for the depreciation of the assets in an OBZ. Without this OWF projects in an OBZ will not be profitable or investable. This regime encourages competition between developers as well. This presupposes that the costs and revenue are interconnector only.

- The regulatory lessons learned and data from pilot projects should be available to the industry as a whole.

- Similar availability applied to interconnectors, could be a reasonable target for MPIs and NSIs.

- Anticipatory Investment (AI) policy as proposed will enable developers to build assets with capability of supporting later User(s). We support this arrangement as it enables the consumer to underwrite the cost of the AI for the period between the shared asset transfer to the OFTO and the point that the later user(s) connects to the shared asset.

- The extension of User commitments in section 15 of the CUSC to new offshore transmission assets which provide capacity for more than a single user seems sensible.

- The minded-to position that AI policy should not apply to NSIs as the anticipatory investment is made primarily out of GB jurisdiction seems sensible.

- For simultaneous build, the infrastructure is built all at once with the same purpose and no anticipated User. It therefore makes sense that AI policy does not apply. In the case of sequential builds, it can be argued that there is an element of a later User coming onboard. As such, the initial considerations with respect to design, construction etc, would have had to consider the later User. We therefore agree that AI policy should apply in sequential build scenarios.

- Extending User commitment arrangements to the later User and developing a process analogous to the early-stage assessment is sensible to test in the pilot regime.

- If a RAB model applies, there is still a need to apply AI policy to the assets covered by the RAB.

- Our view on the unbundling requirements applicable to MPIs and NSI is that the MPI model is unique, and we will be interested in discussing single ownership of transmission and generation assets. We are also willing to discuss the subject of regulatory safeguards as well as compliance and independent arrangements.

- In principle we agree that OWF operating under the OBZ model should not have to pay TNUoS charges as they do not have direct access to the GB wholesale electricity market. OFGEM cannot also impose connection charges to NSIs as the connecting OWF is out of GB jurisdiction.

- We are still considering our position with respect to the ranking of the options presented in the table with bidding zone configurations and trading arrangements.

We thank you for the opportunity to respond to this consultation and look forward to further engagements in the future.

Yours Sincerely,

Precious Nwokoma
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