

Future Interconnection and Offshore Coordination team
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

14 July 2023

Dear team,

Regulatory Framework for Hybrid Assets: Multi-Purpose Interconnectors & Non-Standard Interconnectors

Thank you for the opportunity to respond to this consultation. ScottishPower is a major UK energy company with renewable generation, retail supply and network interests; we are a leading developer of wind power in the UK, and part of the Iberdrola Group, the world's leading renewables developer. Iberdrola is a global leader in tackling climate change, with a commitment to reaching carbon neutrality by 2050.

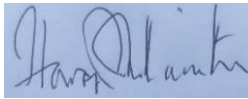
We remain fully supportive of the overall DESNZ and Ofgem Offshore Transmission Networks Review (OTNR) as being critical to the delivery of transmission infrastructure required to facilitate the achievement of the Government's 2030 and Net Zero offshore wind and interconnection targets. To this end we believe a key outcome must be the development of an integrated and coordinated onshore and offshore transmission system including future interconnector projects.

We note Ofgem's proposal for the pilot Offshore Hybrid Asset (OHA) regulatory framework, will retain a narrow cap & floor regime for cable assets but introduce a regulatory asset base (RAB) regime for the associated onshore converter platform assets. We believe this is a pragmatic approach in the short term to support the OHA pilot scheme involving the Nautilus and Lion Link projects.

Beyond the OHA pilot we believe the regulatory treatment of interconnectors should fall under the enduring OTNR regime being developed, as future interconnectors become incorporated into the integrated onshore & offshore transmission system. Specifically, we believe the cap & floor regime does not provide sufficient financial stability to support future interconnector projects and thereby increases regulatory and financial risk to connected offshore wind generators and transmission operators. Instead, we believe a RAB or regulated revenue regime provides greater stability and should be available to be applied to all future interconnector projects including cable assets. In this context we would support the proposed OHA pilot regulatory framework as a helpful interim step to an enduring OTNR regime and the next stage is to allow interconnector developers to be able to request a RAB or other non Cap & Floor regime to apply to all future interconnector assets.

If you have any queries regarding this response please don't hesitate to contact me or my colleague Haren Thillainathan (hthillainathan@scottishpower.com).

Yours sincerely,



Pp Richard Sweet
Director of Regulatory Policy