



Email to: RIIO3@ofgem.gov.uk c/o Margaret Riach
18/12/2024

Dear Margaret,

Re: Electricity Transmission Advanced Procurement Mechanism

About RenewableUK

RenewableUK members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 500 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and access markets to export all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

RenewableUK welcomes the intent behind Ofgem's proposed introduction of an Electricity Transmission Advanced Procurement mechanism (APM). In order to reach the UK's goals of Clean Power by 2030 and Net Zero by 2050, the UK will have to reform its procurement approach to focus on programmes of work, rather than individual projects. However, our members hold significant concerns that the policy in its current form could lead to unintended consequences and negative outcomes in the transmission supply chain.

Programmes, not projects

Ofgem is correct in recognising that the UK is struggling to procure transmission equipment in the currently highly constrained global marketplace. This is further exacerbated by the highly decentralised UK transmission system. With multiple Transmission Owners (TOs), the offshore wind industry, interconnectors and in future Competitively Appointed Transmission Owners (CATOs) and Offshore Transmission Owners (OFTOs), all looking to procure transmission equipment. This stands in contrast to other European nations, where design, procurement and buildout is all done by a single entity, both on- and offshore.

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The key to unlocking the potential of the transmission supply chain, to enable procurement but also to give suppliers the confidence to increase their offering in the UK, by hiring more staff, increasing existing capacity or siting new capacity in the UK, is to offer programmes of work for procurement rather than procuring on a project-by-project basis. RenewableUK feel that while the intent behind the proposed APM is to be welcomed, in its current form it will not sufficiently address the challenges faced by the sector and will not encourage expansion of supply chains in the UK.

Level playing field

The proposals for the APM are currently directed solely at the incumbent TOs. As previously stated, in the UK offshore wind developers, interconnectors, CATOs and OFTOs all also have an interest in procuring transmission equipment from the supply chain. For example, RenewableUK's EnergyPulse¹ data platform has estimated that there are **21 HVDC platforms that are directly associated with offshore wind that are yet to be contracted**. RenewableUK members have expressed concern that the current proposal's focus only on the TOs may lead to uneven outcomes and push other market participants to the back of the queue when procuring equipment, particularly if TOs and their subsidiaries are able to outcompete other participants due to the advantages afforded by the APM regime. We welcome that Ofgem have signalled in paragraph 1.17 openness to work with respondents to better understand how to support both CATOs and OFTOs and we are happy to facilitate discussions with our members on this topic. It is also vital to highlight that beyond TOs, CATOs and OFTOs, offshore wind developers and interconnectors also procure transmission equipment and must be a part of this conversation.

20% threshold

We believe Ofgem's proposal of a 20% cap on cost projections for the APM is overly restrictive and should be removed. The need for participants to carve out portions of their projects for advanced procurement and then have to retrospectively evidence this could lead to sub-optimal procurement practices and even exacerbate procurement challenges in the worst-case scenario. Fundamentally, the piecemeal approach demonstrated here does not promote a programmatic procurement approach and will still be looked on unfavourably in comparison to European competitors by supply chain companies. This has also been highlighted as a wider issue for procurement for offshore transmission in the recent OWIC report 'Delivering the shared offshore network'², which gives recommendations to improve procurement practices. We believe that the recommendations in the OWIC report should be given serious consideration.

¹ <https://www.renewableuk.com/energypulse/about/>

² <https://www.owic.org.uk/resources/delivering-the-shared-offshore-network/>

Ultimately, the UK faces a tough challenge to procure much sought after transmission equipment in a heavily constrained global supply chain. Whilst we welcome the intent signalled by Ofgem in the publication of this document, we feel that it does not solve some of the fundamental challenges in the UK relating to procurement. To meet the current challenges faced by the transmission sector, Ofgem must move from a 'price regulation' mindset and a piecemeal project-by-project procurement to an 'enabler' mindset and programmatic procurement in order to unlock the supply chain. This approach would also give the confidence needed for supply chain companies to recruit and retain highly skilled workers, invest in education and expand their programmes within the UK.

RenewableUK is happy to further discuss this response, as well as to facilitate deeper discussion with our members to help find a solution that will achieve these aims.

Yours sincerely,

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