

By email: [Pete.Wightman@ofgem.gov.uk](mailto:Pete.Wightman@ofgem.gov.uk)

**DONG Energy Power (UK) Ltd.**  
33 Grosvenor Place  
Belgravia  
London SW1X 7HY  
United Kingdom

Tel +44 (0) 207 811 5200  
Fax +44 (0) 207 811 5298

[www.dongenergy.com](http://www.dongenergy.com)  
Company no. 49 84 787

## **RE: Non-developer led WNBI Consultation**

24 February 2014

Thank you for the opportunity to respond to this consultation. DONG Energy is one of the major developers of offshore wind in GB waters. Together with our partners we have a current portfolio of 1.1 GW of operational projects, 700 MW of projects under construction, and a strong pipeline of future projects including interests in two R3 zones where potential for offshore transmission asset coordination has been mooted. We support coordination where it results in cost savings, and believe it is important that Ofgem set out a clear and transparent framework for decision making and cost assessment in order for coordination to be able to succeed in the future, as well as capacity allocation rules for coordinated assets.

Our ref. 140224 WNBI response

[ebjoh@dongenergy.co.uk](mailto:ebjoh@dongenergy.co.uk)  
Tel 02078115200

### **The role of the System Operator**

We believe the System Operator is the only party in the GB market able to provide a needs case for coordination, and that this should be the sole responsibility of the SO. No other party has the same overview of the operation of the system or the ability to assess and compare reinforcement options onshore and offshore. The SO should therefore be in charge of all WNBI activities up to the point of appointing a consenting party. TOs (both onshore and offshore) and generators should be required to assist the SO with information provision according to current codes and frameworks, which we believe to be sufficient. Any modifications to facilitate data provision for the purposes of coordination which do prove necessary should be raised through the appropriate codes governance panels.

We believe this function would work best under an independent system operator regime, removing any perceived or actual bias to onshore TO functions, as set out in our response to the most recent ITPR consultation.

### **The role of the Transmission Owners**

Ofgem's proposals show a significant role for TOs in the early phases of WNBI projects. While TOs can contribute knowledge of costs and transmission designs at the option stage, we do not believe they are best placed to assess the system requirements in an unbiased fashion, and that this should be the

sole responsibility of the SO. TOs are currently required by the STC to communicate and share information with the SO for the purposes of coordinating network development and reinforcement plans. We are not aware of any licence or code obligation on TOs to share information between themselves that would allow for the efficient assessment of network needs by one TO. TOs are incentivised (in part) under RIIO to provide connections to users at least cost. We feel that under RIIO TOs may be inappropriately incentivised to defer onshore works into the offshore regime so as to minimise their connections and reinforcement costs at the expense of increased offshore and overall costs, to the detriment of the system and consumers.

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### **Tender timings, risks, and gateways**

We do not believe that Option 1, with two tenders, is a cost effective option for WNBI projects. It is difficult to envisage who the 3<sup>rd</sup> party bidding for the consenting works would be, if not someone also interested in the construction and subsequent ownership of assets. Further, we would expect that if a party bid for such work a rate of return would be expected which is likely to be greater in isolation than if it was incorporated into the overall construction and ownership package. For this reason, Ofgem should focus on assessing Options 2 and 3 as these will result in lower tender costs, and lower costs to the consumer.

Ofgem's overview of proposed models seem to only include one gateway for assessing WNBI projects. We believe it would be more appropriate to make a formal assessment of a WNBI project at the time of the preferred solution (i.e. before consenting commences), and again prior to construction. This would minimise the risk of costs to the consumer (offshore surveys and pre-construction works can be very costly) and provide certainty to the party carrying out the works that they do so according to a valid needs case.

It is important that the risk allocation does not penalise an OFTO (or other 3<sup>rd</sup> party) from changes to the needs case due to changing network background assumptions outside of their control. However, it is reasonable that the party carrying out the consents and construction should be subject to the same requirements on effective and economic costs as is currently the case for generator build developers.

### **Impact on generators in the vicinity**

There are several possible ways a WNBI project could have an impact on assets connecting a wind generator to shore. We ask Ofgem for clarification and guidance on the following points:

- It is important that there is no impact on a generator's consent for generator build assets. We are concerned that there could be a risk of planning authorities requiring cumulative impact assessments as a result of additional assets in close proximity of, or connecting to, generator build assets where these may be insufficiently defined at the time of the generator's application. Ofgem needs to consider this risk in

more detail, and if required, issue guidance to the relevant planning authorities.

Our ref. 140224 WNBI response

- Impact on generator build assets from retrofitting WNBI assets, e.g. in terms of access to offshore platforms and planning of outages. Ofgem needs to provide guidance on how outages should be coordinated, and set out the liquidated damages and indemnities payable to generators in case their access to the onshore network is disrupted as a result of the construction of WNBI links. At this stage it should be noted that offshore transmission connections are built to different standards and reduced redundancy relative to the onshore network, therefore construction outages could result in a complete loss of ability to generate for prolonged periods.
- Ofgem should also consider the impact of WNBI assets on existing generator build assets in terms of offshore wind farm control system stability and technical compliance with relevant standards (including, possibly, the need to reconfigure or reinvest in the existing network to ensure ongoing compliance as a result of connection of WNBI infrastructure).
- Clarification on information provision from generators, both in terms of the needs case and for any subsequent tenders.

Yours sincerely



Ebba Phillips John  
Regulatory Affairs Advisor

DONG Energy