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Dear Jon,

**RenewableUK consultation response**  
**INTEGRATED TRANSMISSION PLANNING AND REGULATION (ITPR)**  
**PROJECT: DRAFT CONCLUSIONS**

**Summary**

RenewableUK welcomes Ofgem's ongoing engagement and update on progress with the ITPR project.

- **RenewableUK supports the principles underpinning ITPR work. In many cases it is the practicality of implementation that determines our position, and we support the development of more detail on all the proposals.**
- **We would like to see more consideration and assessment of big potential system-wide wins against efficiency gains that may turn out to be minor.**
- **On network planning and design, we would like to see how the introduction of an additional tier of governance could nevertheless yield more timely decisions on grid investment.**
- **On OFTO, we are supportive of the enhanced SO role but the inclusion of WNBI should be a voluntary process, and developers should be incentivised but not obliged to undertake additional works.**

- **On competition of onshore assets, we would like to see reassurance on efficiency of process and overall benefit before supporting this. We suggest competition in connections as a first, more manageable step.**
- **On interconnection, we are supportive of the developer-led approach in the short term, but see merit in progressing to use of an enhanced SO to provide an overview of system needs.**
- **On MPPs, we are supportive of providing regulatory continuity to transmission assets. Developers and generators, as well as OFTOs, should be no worse off as a result of a project migrating to an MPP.**

## **Introduction**

RenewableUK is the trade and professional body for the UK wind and marine renewables industries. Formed in 1978, and with over 660 corporate members, RenewableUK is the leading renewable energy trade association in the UK, representing the large majority of the UK's wind, wave, and tidal energy companies. The association's response aims to represent these industries, aided by the expertise and knowledge of our members.

The renewables industry has three specific areas of interest in the ITPR project:

- more timely and cost efficient delivery of onshore grid
- ability to maintain control and manage risk on offshore grid development
- sufficient Interconnection to enable exports and support security of supply

As such, we have engaged with Ofgem's work in this area with a number of years, and continue to support the resource that Ofgem puts into reforming the transmission regime.

Although we comment on wider issues, the above are our primary considerations when responding on ITPR. This response follows the structure of the questions as set out in Ofgem's consultation.

**Q1: What are your views on our proposed enhancements to the SO role in system planning, including the specific roles we have proposed the SO would undertake for onshore, offshore and interconnection planning?**

The principle of greater coordination in network planning is a good one. The industry would value the additional certainty and long-term planning in infrastructure that this could bring.

However, we would like to see further justification of the extra risk and complexity implied by adding more licenced obligations. There are some potential system-wide benefits and some potential efficiency gains at play. The former should not be sacrificed in the interest of the latter unless an assessment yields a net gain.

We discuss each type of asset in turn.

(Non-separable) Strategic Wider Works: RenewableUK has for some time expressed concern about the timeliness of the submission of needs cases for Strategy Wider Works, their approval, and their eventual delivery. Furthermore, there is potentially significant value in planning the network with a wider view of system needs included, especially in the case of anticipated future developments beyond immediate customer need. However, plugging in greater complexity into the SWW process risks further delays and uncertainty for generators wishing to connect. In order for RenewableUK to be able to support the extension of SO functions with respect to these assets, we would like to see more detail, justification, cost benefit analysis, and risk mitigation. In particular:

- Were the SO and TO come to a disagreement on which option to progress to regulatory approval, all generators awaiting the reinforcement would be subject to greater uncertainty than at present. How would the peer review process work?
- Likewise, where an element of an upgrade is for wider system needs, who underwrites and ultimately pays for these assets?
- SO involvement at both the optioneering / design stage and recommendation at needs case approval stage seems to add unnecessary complexity and risk (or perception thereof). If the requirement for SO involvement at the earlier stages of SWW optioneering is adopted, then projects progressed should already reflect the SO's comprehensive input by the time of approval.
- We would ask for the evidence that many of the aims of the proposed NOA process and enhanced SO role cannot be achieved through the existing channels, namely, the Joint Planning Committee, the ETYS and the existing STC requirements. – Is this simply a case of additional resources for the SO?

- Greater regulatory complexity and upfront burdens could be justified if complemented with greater certainty around decision making. This is not discussed in the document. If system-wide considerations are incorporated at the design stage, for example, identifying the need for anticipatory investment, then there needs to be a corresponding steer that decision making would actually allow for such elements to be included. A further contextual development is the competitive allocation of Government support (CfD), which has the potential to create additional uncertainty as to which specific generation projects will deliver. We would therefore like to see more on Ofgem's approach to decision-making as part of any changes to upfront requirements. RenewableUK would also like to see a reference to long-term Government energy policy goals in this context, noting DECC's forthcoming publication of the Strategy and Policy Statement (SPS) which has exactly this aim as enshrined in legislation.

Separable assets: As above, RenewableUK would like to see further justification, clarification, and mitigation of increasing complexity and risk. This is a new class of asset from a regulatory point of view, so the rationale for the criteria adopted should be fully explained. Allowing some third party to consider options on, design, consent and ultimately construct such assets makes sense where some or all of these activities could be tendered out for third parties to deliver. What is less clear is why the SO is in any better position than the incumbent TOs, or indeed other third parties, to provide the early assessment of need and design work for this class of asset, when such assets are defined as those with limited impact on the wider network.

As with SWWs, adding further regulatory complexity to an already complex system should be clearly justified in light of the extra uncertainty it can create, must be compensated for by efficiencies and streamlining elsewhere in the process, and in particular must leave developers no worse off than the current regime.

OFTO: RenewableUK supports Ofgem's proposal of enhancing the role of the SO on offshore development, requiring it to lead submissions to gateway assessments. We believe there are wider benefits to enhancing the role of the SO, such as encouraging standardisation and best practice to help reduce costs, optimisation of strategic network planning, improved cooperation to achieve better connection design and better enabling of anticipatory investment. We recognise that this argument is stronger if the role also applies to onshore planning, our caution notwithstanding. As we detail further in the following answers, we believe that the inclusion of WNBI

should not be compulsory for developers, and that this needs to remain an optional feature for future developments. Furthermore we would like to stress the importance of a transparent process, where TOs need to have full visibility of the SO's submissions to gateway assessments.

Interconnector Assets: RenewableUK supports the wider rollout of interconnectors as a cost-effective way of assisting in the integration of renewables and to provide security of supply. We feel that the SO is uniquely placed (in association with neighbouring SOs) to provide advice and analysis on where the optimal locations are for connecting into a constrained onshore GB network and also ensuring that potential system operability benefits can be realised. The benefits include using interconnectors to help to manage existing transmission bottlenecks in GB and in our neighbours. As such, we support the proposal for an enhanced SO role for Interconnection. There is an issue of potential conflict of interest, which we touch on in subsequent questions.

**Q2: Are there other roles that you think an enhanced SO could or should undertake in order to better support the development of an efficient transmission and interconnector network?**

With increasing volumes of generation connecting to the distribution network, exporting GSPs and the like, embedded generation will become an increasingly significant factor in wider system considerations, both in terms of operability and network planning. As a result, the SO will need greater visibility of the growth of embedded generation and the impact on power flows. As a further stage to ITPR once decisions on transmission have been made, we would therefore like Ofgem to consider what further role there might be for the SO at distribution level, and how this would complement any possible evolution of the DNO function..

**Q3: What are your views on the specific obligations for TOs that might be needed to support our proposed enhanced SO role?**

Aside from minor amendments on information exchange, it is felt that the STC already encompasses most of the necessary obligations required to enable the enhanced SO to perform its new functions with respect to onshore assets. We would however like to see more accountability from the TOs to the SO on development, communication of, and ultimate delivery of transmission assets, and how this fits with the new NOA if adopted. Such accountability would enable developers to have a more informed

discussion with their contracting party (the SO) on the development of transmission works.

There may need to be extensions with respect to new functions in offshore transmission and interconnection, for example provision of network stability data for OFTOs, or connection application procedures for interconnectors.

**Q4: What are your views on our proposal that, as part of its enhanced role, the SO should lead gateway assessments for offshore projects that include investment to provide wider network benefit?**

RenewableUK is broadly supportive of Ofgem's proposal to enhance the role of the SO with regard to coordination in offshore transmission. As part of the priority placed on cost reduction for the offshore sector, the offshore wind industry identified an enhanced SO role as a potential key factor for this agenda. With regard to the SO leading the gateway assessment for offshore projects that include investment to provide wider network benefits, RenewableUK is in principle supportive of this proposal. However some aspects will need to be considered in more depth before being adopted:

- Transparency in the process will be the key element, and proponents need to have visibility of the options put forward by the SO to the Authority, in order to understand the associated dynamic, risks, and opportunities. The SO role and the liaison between the SO and developers need to be clearly defined and regulated, and criteria to do this have to be developed. The process also needs to be clearly set out, defining timing and scenarios in which the SO is involved.
- It is essential that the possibility for a developer to undertake WNBI remain a voluntary process. Offshore wind developers are not TOs, and although they may at times have the technical capability to develop wider strategic works, in many cases the financial commitment that this would imply would make it impossible for the developer to secure the necessary finance. Costs of WNBI could actually be higher than the whole development costs of a project.
- There are additional delivery risks associated with involving an external party, which would make it unappealing for a developer to adapt its individual transmission asset to wider system needs. Once an opportunity has been identified by the SO, developers should be given the possibility to accept or refuse the SO's proposal.

- The involvement of offshore wind developers in undertaking WNBI could nevertheless be encouraged by the provision of adequate incentives. These could take the form of, for example, reduced transmission charges for the use of the offshore transmission infrastructure. RenewableUK looks forward to working with Ofgem and the SO to identify appropriate incentives and appropriate mechanisms that benefit UK plc and the consumer, whilst still safeguarding the viability of individual offshore wind developments.

**Q5: What are your views on our proposal to extend competitive tendering to new, high value, separable onshore assets?**

Introducing competition to delivery of assets can help drive efficiencies, which benefit both generators and consumers. RenewableUK has some concerns about the availability and timeliness of grid capacity; and we are keen to explore all opportunities to reduce grid costs, noting evidence that costs from the current incumbents can be two or even three times as high as they might be. We therefore welcome consideration of introducing competition in onshore transmission in principle.

However, new risks are introduced in so doing. The extent of any negative impacts or extra risk introduced will depend greatly on the detail of the specific proposal. We would like to see more detail on the procedural changes needed to implement competition in onshore transmission, and greater analysis of the expected benefit as well as (unintended) consequences. We have a number of more specific concerns and queries with the current proposals:

- Tendering works at whatever stage introduces new risks and uncertainties for generators connecting to the relevant assets. We would like to see some further detail about how winning bidders would be incentivised to ensure efficient delivery once awarded the contract, and how this compares with the current arrangement for regulated monopoly companies. We would also expect to see further detail on how the financial resilience and operational competence of potential bidders will be assessed (would there, for example, be a pool of licenced independent suppliers).
- A tendering process has the potential to add a lot of time to an already lengthy process. Aside from the tender itself, passing a consented project to a third party introduces a discontinuity that may create inefficiencies, for example the contractual and legal requirements associated with transferring a planning

consent. In addition, any legal challenges that may arise following contract award could slow things down and create new uncertainties.

- We would like reassurance that the introduction of a tendering round would add no extra time to the approval process. As with the our comments on the system planning brief above, we would like to see how the process of competitive tendering, and trust in this, would allow Ofgem to streamline or remove elements of its own extensive and at times lengthy and uncertain decision making processes.
- Ofgem propose two separate models for introducing competition: One involves an early approach, where the bidder would consent and deliver the project; the other a later approach, where the winning bidder would deliver a consented scheme. The latter option avoids issues such increased consenting risk (new entrants would, presumably, not all have CPO powers, for example), but would limit the gains realised from introducing competition in the first place, as the project would already be at a relatively mature stage in its design. Furthermore, it would split accountability and prevent a headstart on elements of the process, for example procurement, even as planning consent is sought. There is a question as to where Ofgem currently sees inefficiencies in the current arrangements and therefore which proposal actually fixes these. Given the extra uncertainty that competitive tendering could create, we would wish to see evidence on (a) mitigating action to reduce these risks and (b) an assessment that the residual risks of the new system are clearly outweighed by the expected benefits.
- RenewableUK understands from participation in the Electricity Networks Strategy Group (ENSG) that there are supply chain efficiencies with the long-term planning of projects, but that these are at times put at risk by uncertainty in whether projects will proceed, and in the decision making process itself. There is certainly a cost to multiple bids for the same project. We would like the knock-on impacts on supply chain to be taken into consideration in any wider cost-benefit assessment, building on the learnings from the review of the SWW process.
- The consultation document makes reference to the success of the OFTO regime in introducing competition. The onshore proposal in ITPR follows the 'OFTO build' model most closely on the offshore side, which has yet to be fully implemented and suffers from known weaknesses. We would therefore recommend that any relevant issues and lessons from this experience are examined and incorporated into Ofgem's thinking on the onshore equivalent.



- Finally, we would wish to see further justification for the selection of this type of asset, rather than, say, lower value sole use connection assets, for exposure to competition. We suggest exploring contestability and competition in connections and other specific, highly separable works as a first, more manageable step, even as the detail of the process for larger projects is worked up. At the very least, there is a need for greater clarity on the current scope for non-TO build of transmission connections.

**Q6: What are your views on our proposals to maintain a developer-led approach to interconnection and to extend the cap and floor regime?**

RenewableUK is supportive of Ofgem’s proposal to maintain the developer-led approach to interconnection and to extend the cap and floor regime. We believe it to be important for a reliable framework to be in place in order to allow interconnection to be developed in a timely manner.

The current regime may not be able to provide the necessary confidence for all necessary projects to come forward and for the necessary investments to materialise on a long term basis, and it may need to be revised in the future.

- We believe that the SO could have a more proactive role in identifying opportunities for interconnection. As with the other regimes covered by ITPR, we believe that the planning of interconnection should be brought under the SO’s remit in the long term, so that wider benefits (including energy security, system balancing and reducing onshore bottlenecks) could be taken into account and may drive investment decisions.
- Price arbitrage and market opportunities, which are the current drivers for the development of interconnectors, may currently be able to stimulate investments in this area. This may not be the case in the future, also given ongoing efforts to create a single market for electricity at the European level, but this does not mean further interconnection would not be of value for other reasons.
- Interconnector developers are not in a position to produce robust analysis on system needs and we believe there is a need therefore for Ofgem to put in place a process for assessing and comparing these benefits. The current approach allows optimisation of expenditure on investments on single assets and individual interconnection projects, but we believe that there could be wider objectives and indirect savings which could be pursued through a wider involvement of the SO in identifying solutions.

- It is key that DECC and Ofgem operate in a more integrated and coordinated way, so that the optimal level of interconnection for the system and its users is identified. DECC should be able to provide a wider overview of national policy objectives with regards to energy security and deployment of renewable generation, and these should play a key role in identifying investments needed in this area. We refer again to DECC's forthcoming Strategy and Policy Statement, as well as DECC's interconnector policy and European ambition for interconnection.

**Q7: What are your views on our proposal that non-GB generators pay for their connections, without consumer underwriting?**

We accept the principle that non-GB generators should not automatically qualify for consumer underwriting. However, looking to the future we would expect a coordinated network in the northern seas to utilise such assets for wider purposes than purely generation spurs. Also we envisage that UK offshore generation will be connected to other EU countries and we would expect those connection assets to be regulated so that UK generators can compete on a level playing field with generation located in those connecting countries. For example, a windfarm located on the GB side of a state border in the North Sea would be at a competitive disadvantage compared to a generator a few km distant on the other side of that border. The EU trend is that EU renewable generation should be delivered by the lowest cost EU resources and not simply by resources in Member States.

**Q8: What are your views on our proposal to provide regulatory continuity when the purpose of a transmission asset changes?**

RenewableUK is supportive of Ofgem's proposal of providing regulatory continuity to transmission assets when changes in their configurations take place and these may become part of an MPP. However, there are a series of aspects related to offshore projects which will need to be considered:

- We are extremely concerned that the reassurance that assets will not be worse off when becoming part of an MPP is not provided for developers and generators as much as for OFTOs. We believe that developers and generators should have absolute certainty on regulatory treatment and costs which they may be incurring.
- At the moment, clarity on how different options of MPPs will be assessed by Ofgem and on how projects will be judged as being "not worse off" is also

lacking. RenewableUK is in favour of defining regulatory treatments for MPPs in order to harness the possible benefits of such configurations, but these should not come at a risk of modifying the transmission network use of system (TNUoS) charges of offshore developments.

- A coordinated offshore charging methodology needs to be developed in parallel to these arrangements. The range of assets which may become part of an MPP (offshore wind farms, transmission assets, bootstraps, interconnectors, etc.) is characterised by different economic drivers and incentives, and the regimes that govern these assets will need to be aligned if an MPP needs to work as a single entity. Developing a coordinated offshore charging methodology that takes into account all possible configurations would provide developments with the necessary certainty on how the evolution of the transmission system may affect a project.
- The apportionment of risk will be different when transmission assets will become MPPs, with implications on the level of scrutiny which assets may have to undergo. Risks may relate to delivery timeframes and assets reliability when becoming part of a more complex system: there is a need to define how changing risks may impact developments, and how arrangements could be put in place so that the financial implications of these don't fall on developers.
- Building on RenewableUK's position on OFTO build, we would like to bring to Ofgem's attention the implications that such arrangements may have on offshore wind projects with regards to asset delivery. Additional construction risks may be introduced by the possibility that, by opening up this system to new entrants, involved parties may be extraneous to the usual pool of partners that developers normally rely on.
- Investability of projects is the final indicator of success of a regulatory regime: offshore projects are bank financed projects, and the risk profile of a project needs to be extremely clear so that finance can be secured. Failing to provide this clarity may lead to a failure in securing finance for the project, thus compromising the whole project and removing the need for MPP arrangements to be defined in the first place. It is the radial element of an offshore windfarm that would justify development of an MPP, and not the other way round.

At the moment there is a misalignment between how the regimes for MPPs and interconnection are being developed, in particular with regard to the delivery aspect and roles of the SO in these processes. We hope that these regimes can be developed in a coherent manner as soon as possible.

**Q9: What are your views on our assessment of conflicts of interest?**

We welcome the detailed proposals to mitigate potential conflicts of interest, though would query again whether the existing arrangements are insufficient, and if not, whether this indicates that current arrangements are not fit for purpose. The level of separation required will depend on which of the ITPR proposals (enhanced SO, competitive connections) are implemented.

We note the example of separation of National Grid's activities under EMR, but observe also that this is something enshrined in legislation. There is a question therefore as to whether the same robust governance for separation can be replicated and enforced under the ITPR regime without legislative change.

Whatever arrangements are ultimately established, the result should be that no third party customer should be in any way disadvantaged relative to National Grid group companies and subsidiaries, with strict auditing and third party appeal procedures to back this up.

**Q10: What are your views on our proposals for mitigating conflicts of interest?**

No views.

**Q11: Do you think independent scrutiny of the SO's activities (eg through an expert panel or auditors) would provide value for money?**

No views.

Yours sincerely,

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**Grid Policy Team**