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# **Ofgem consultation - Net Zero and Re-opener UIOLI Allowance Governance Document**

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**Written evidence submission – Rhys Wyn Jones, Director, RenewableUK Cymru**

Renewable UK Cymru **(RUKC)** is part of Renewable UK and is responsible for facilitating a renewable energy policy environment in which our members can operate, helping them grow their businesses and providing influencing and networking opportunities. RUKC’s members are building and operating our future energy system, powered by clean electricity.

RUKC thanks Ofgem for providing this opportunity feedback on this important issue. RUKC has prepared the following commentary in response.

**Context**

It may be helpful to set the current round of consultations relating to aspects of RIIO2 in context.

Welsh Government has competence over consenting overhead cables (OHLs) up to and including 132kv. UK Government has competence over the high voltage transmission network.

The issues relating to Grid in Wales are long-standing and well established.

The Wales Act 2017 includes provisions which give a formal consultative role to the Welsh Government and National Assembly for Wales in designing renewables incentives and Ofgem strategic priorities.

Constraint on Wales’ grid are likely to be exacerbated by the requirement for development of considerable offshore wind generation (fixed bottom and floating offshore wind) within a short time scale (40GW by 2030)[[1]](#footnote-2) . Onshore developments face existing constraints in the form of a lack of grid availability and considerable competition for connections.

RUKC is unclear as to the extent of Welsh Government’s engagement with the regulator or of the extent to which it has sought to make the case in relation to Wales’ future requirements to strengthen its networks (although RUKC is aware that Welsh Government sits on Ofgem’s net zero advisory group). RUKC would also emphasise that the grid constraints developers face are long-standing issues. (see below)

**Mid Wales context**

Either certainty is required to allow the needs case for grid reinforcement to go forward, or the needs case should go forward despite the uncertainty. Unless one or other changes, this negative cycle will not be broken.

During the 2010s, several developers had individual connection agreements with the DNO for new generation projects with a total requirement for 630MW export capacity. An application was made to National Grid for a new connection to the national high voltage electricity transmission system due to a lack of capacity on the DNO’s network to accommodate these applications.

National Grid proposed to develop a solution to act as a marshalling point for the power output from the wind farms and transform the voltage from 132 kV to 400 kV for onward transmission.

The majority of the proposed windfarm developments were in any event rejected by DECC (this was prior to Wales acquiring powers to consent onshore wind projects above 50MW) and the proposed grid solution fell into abeyance.

There is around 2GW of potential Onshore wind in Mid Wales for which there is some form of existing optionality. The industry is therefore renewing its interest in working with stakeholders to develop a strategic network solution which will assist Wales achieve its multi sectoral decarbonisation ambitions.

Along with its members, RUKC is concerned that there needs to be concerted action to research the potential strategic solution for grid strengthening which will be an essential part of Wales’ deep decarbonisation roadmap.

**South Wales constraints**

RUKC has been made aware of several examples of issues developers of renewables projects are having in obtaining connection agreements in South Wales, with projects which could theoretically connect to a 33kv network having to consider applications to the Transmission Network. It is therefore not correct, as has been suggested[[2]](#footnote-3), that the gird in South Wales is not constrained for renewables generators.

For example, RenewableUK Cymru has learned that a large mid Wales-based company wanted to expand its operation but was unable to do so as there was not enough grid capacity to support the expansion. In December 2019 Carmarthen Council reported to a scrutiny committee that its bid to become a “net carbon zero” authority was being hampered by a lack of grid capacity.[[3]](#footnote-4)

**Post Pandemic recovery**

With huge cumulative potential in Onshore, Offshore (fixed and floating) wind, an emergent wave and tidal technology sector, potential for Hydrogen production, CCUS, battery production and development, Wales clearly stands to make a significant contribution to the ‘green recovery’.

RUKC noted the potential opportunity for renewables to contribute to green recovery, along with the potential ‘brakes’ on progress in a letter to Wales’ Counsel General, [Jeremy Miles QC in 2020.](file:///C:\Users\RWynJones\OneDrive%20-%20Renewable%20UK%20Association\Jeremy%20Miles%20Covid\Jeremy%20Miles%20QC%20MS.pdf)

RUKC contends that chief among potential brakes on Wales’ being able to capitalise will be constraints on its grid infrastructure.

Smart, distributed, community scale generation will be a vital part of delivering Wales’ decarbonisation ambition, but it will not be enough.

**UIOLI funding**

RUKC welcomes the principle underpinning this proposed funding however there are some issues which require clarification in terms of the way in which it relates to subsequent re-opener applications.

* The UIOLI should be developed in collaboration with industry to facilitate a simple, uniform application process.
* The £2m cap, with option to apply for further funding through the re-opener does little to ensure more complex projects can be planned properly.
* RUKC would suggest that a solution to this issue might be achieved through allowing an interim assessment to allow funding to be recovered through subsequent reopeners, whether or not the project goes ahead.
* It should also have regard to projects which are intended to apply under the MSIP re-opener, but which subsequently are established as LOTI projects. Network companies should not incur excessive risk where they are likely to exceed the £2m cap.
* The Net Zero Reopener Development Allowance should be accessible for pre-FEED work on LOTI projects, such as establishing a needs case, which is not covered by PCF.
* This is particularly important in the context of complex projects such as the Mid Wales grid where a solution will require multi-party collaboration, flexibility, and transparency (as well as funding).
* Governance structures must include provision for coordinating engagement of stakeholders to ensure proposals can be developed in a timely and cost-efficient manner.

1. https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution/title [↑](#footnote-ref-2)
2. Future potential of Offshore wind in Wales, gov.wales December 2018 [↑](#footnote-ref-3)
3. <https://www.walesonline.co.uk/news/wales-news/carmarthenshire-council-news-carbon-climate-17282286> [↑](#footnote-ref-4)