

To whom it may concern

18th February 2021

Consultation on Ofgem Forward Work Programme for 2021/22

Transmission Investment, as one of the UK's leading independent transmission companies, welcomes Ofgem's Forward Work Programme for 2021/22.

Transmission Investment manages one of the largest offshore electricity transmission portfolios. Our managed portfolio of Offshore Transmission Owner (OFTO) assets includes the connections to seven offshore wind farms, and we will take over management of a further three offshore wind connections in 2021 – in total a portfolio of approximately 3GW and £2.5bn in capital employed. We are one of the largest managers of offshore wind transmission in GB, which is the largest offshore wind market in the world.

Transmission Investment is also a strong advocate of introducing competition into the delivery of networks, both onshore and offshore. We continue to support the development of the required arrangements *inter alia* through industry groups, responding to consultations such as these and when required providing evidence to parliament.

Transmission Investment is leading, in partnership with the French national grid company RTE, the development of a proposed 1400MW HVDC interconnector between France and Britain via Alderney ("the FAB interconnector project"). This project was granted cap & floor regulatory treatment in 2015 and whilst it continues to experience Brexit related delays, it will commence construction as soon as the regulatory process allows.

We are in general very supportive of Ofgem's forward work programme for 2021/22 which we believe Ofgem is well-placed to deliver being at the forefront of regulatory development. One of the areas in which Ofgem has been particularly innovative is in the introduction of competition into the delivery of networks through the offshore transmission regime which is estimated to have saved consumers in excess of £800m¹ from Rounds 1-3 alone (Round 7 has recently commenced). There has also been useful work undertaken, most notably by Ofgem and the ESO, in developing other new models for competition in networks, including:

- Ofgem's work on the late CATO and SPV models for onshore transmission;
- ESO's work in developing an Early Competition Plan for onshore transmission; and
- ESO's introduction of Pathfinder tenders to compete solutions to networks requirements.

Whilst still at an early stage in its development, the work being undertaken on offshore co-ordination by BEIS, Ofgem, the ESO and others, may also provide the opportunity

¹ From "Energy White Paper – Powering Our Net Zero Future, BEIS, 14th December 2020, p 160" based on the lower range of savings from counterfactual #3 in "Evaluation of OFTO Tender Round 2 and 3 Benefits, Final Report, Cambridge Energy Policy Associates for Ofgem, March 2016" with values updated to 2020 prices from 2014/15 prices.

for consumer savings through the use of competitive delivery of the required offshore networks.

The only models in use so far are the offshore transmission and pathfinder models, and so there is however much still to be done in this area, in part due to the need for primary legislation. As set out in the recent Energy White Paper², competition in networks is still a priority for government, and so the required legislation should be expected, albeit in time. Therefore, we would argue that this should still be a focus for Ofgem whilst the relevant legislation is awaited.

The importance of competition was recognised in Ofgem's 2019 Strategic Narrative which has, as one of three high-level priorities: "*Enabling competition and innovation which drive down prices and result in new products and services*".

However, the draft Forward Work Programme for 2021/22 doesn't explicitly mention competition in networks. We may imagine that it is covered under the first Strategic Change Programme: "*We will enable investment in the low carbon infrastructure needed to deliver net zero*", but this is not clear. This may be due to the time period the Forward Work Programme covers (up to 31 March 2022) and the fact that Parliamentary time to pass the necessary legislation may not be available before the end of this period.

Competition requires a market; and market participants would benefit from as much visibility as possible on the regulatory models for competition, project pipeline under each model, and relevant timelines for competitive processes. We would therefore welcome anything that Ofgem can include in its Forward Work Programme 2021/22 as to the work it is doing to ensure that competition in networks is introduced as early as possible.

Yours faithfully,



Chris Veal
Managing Director

² Energy White Paper – Powering Our Net Zero Future, BEIS, 14th December 2020