



Via email: FWP@Ofgem.gov.uk

Email: Tom.Steward@RWE.com

4th February 2021

Ref: OFGEM Forward work programme 2021/22 consultation

To whom it may concern,

On behalf of RWE, I am writing to provide feedback on OFGEM's Forward Work Programme 2021/22 consultation – published on 15th December 2020.

In the UK, RWE employs over 2,600 people with a diverse operational portfolio of over 9.5GW of onshore wind, offshore wind, biomass, hydro and gas - generating enough electricity to power 10 million homes. The UK plays a key role in RWE's strategy to grow its renewables business and to become carbon neutral by 2040. This includes the Triton Knoll offshore wind farm currently in construction off the coast of Lincolnshire (857MW, RWE share 59%) and the Sofia offshore wind farm in development (1.4GW, RWE share 100%). RWE and its project partners also recently signed Agreements for Lease with the Crown Estate to extend the existing offshore wind farms Gwynt y Môr, Galloper, Greater Gabbard and Rampion, as well as securing a further 3GW as part of the recent Leasing Round 4 by the Crown Estate.

We strongly welcome the publication of this forward work programme, in particular the focus on OFGEM's role in the low-carbon transition, and reforms to energy system governance.

The workplan sets out that OFGEM will develop frameworks to help industry manage uncertainty, and maximise opportunity. Managing uncertainty is essential to supporting cost-effective investment in the energy sector. Any such frameworks must dovetail with OFGEM's approach to regulation to deliver Net-Zero. Uncertainty creates a risk premium that increases the cost of capital and the energy industry is largely financed by footloose investors, who may seek to invest in other markets if regulatory risk in GB is deemed to be too high. It is important not just for OFGEM to put in place the right structures to help participants manage uncertainty, but it must also ensure that the minimisation of uncertainty for investors is a central tenet of its approach to policymaking. This will be crucial to maintaining the current momentum in the transition to a Net-Zero economy.

RWE Generation UK plc Registered in England and Wales no. 03892782

Registered Office: Windmill Hill Business Park · Whitehill Way · Swindon · Wiltshire · SN5 6PB

RWE Supply & Trading GmbH (Swindon Branch) Registered No. BR7373

Windmill Hill Business Park · Whitehill Way · Swindon · Wiltshire · SN5 6PB

RWE Renewables UK Limited: Registered in England and Wales no. 03758404

Registered Office: Greenwood House · Westwood Way · Westwood Business Park · Coventry · United Kingdom · CV4 8TT



We support OFGEM's recognition of the need to support greater network investment on the path to delivering Net-Zero. It is essential that a strategic approach is taken to such investment, with anticipatory spend unlocking new opportunities for bringing new generation to the system and driving efficiencies for new connections.

OFGEM's recent recommendation for the creation of an Independent System Operator, with a strategic overview of network development, has the potential to be extremely beneficial in driving strategic investment in the grid. However, significant institutional reform such as this will be a lengthy process. Problems resulting from lack of actively designing and planning the future energy system are manifest now. For example, this already leads to seabed leasing opportunities in locations where grid is scarce, and where there is not yet an approved plan to construct grid for the projects which win the leases. Offshore wind developers are receiving grid connection offers with a lead time of up to 13 years, particularly in areas such as Eastern England and Scotland. Furthermore, in Mid-Wales, there are a number of prospective renewable sites that are unable to progress owing to a lack of grid infrastructure. Therefore, as the Independent SO (ISO) will take many years to fully implement, RWE proposes an approach whereby OFGEM supports the ESO in its current guise to undertake active network planning for a net zero future immediately, and network owners commencing delivery of this, whilst the ISO is being implemented.

We also strongly support Ofgem's proposed work to further the coordinated, strategic expansion of the offshore network. As a significant investor in offshore wind, we welcome Ofgem's close involvement with BEIS, in the Offshore Transmission Network Review,

We welcome the additional direction to be given to OFGEM through the forthcoming Strategy and Policy Statement (SPS) set out in the Energy White Paper, however we urge going further. In line with the recommendations of the NIC, we propose making an amendment Ofgem's formal duties and objectives from "reduce Greenhouse Gas emissions" to include "economically efficient decarbonisation", and that this objective be on an equal footing with OFGEM's primary duty to protect current and future consumers. This is a crucial step to ensure a long-term regulatory approach that delivers net zero at best value. Ofgem's legal duty amendment and the SPS should both should be progressed as soon as practicable, though SPS is likely to be progressed sooner due to required process and need not wait for a change in primary legislation.

Furthermore, it is important that this focus on delivery of Net Zero flows down through the industry governance structure to be reflected in the industry code objectives. Without this, there is a risk of code modifications being developed which run contrary to the direction issued to OFGEM in the SPS, or a reformed formal duties. This could lead OFGEM to reject or send back code modifications that could have otherwise been developed in a way more consistent with delivery of Net Zero.

Activity to support the development of Hydrogen in the UK is welcome, however this should not be limited to examining its use in heat production. There is significant opportunity for green hydrogen to help offer long-term balancing to a grid dominated by renewables. We would urge OFGEM to begin to consider what action it can take now to support long-term development of this opportunity. This work must be integrated into OFGEM's "full chain



flexibility programme” - storage and flexibility are keystone technologies to the delivery of economically efficient decarbonisation. Any measures put in place must take account of the different development stages of different technologies – battery technology supply chains are currently more developed than green hydrogen, but both forms of storage are likely to play a pivotal role in the move to net-zero.

We strongly support the consideration of the interaction between network charging and flexibility into the network access and forward-looking charges workstream. It is essential that a joined-up approach is taken to these considerations. Interaction with other policy areas must also be considered, such as where costs are increased for renewable generators, this could lead to increased CfD auction bids, creating an impact on consumer bills. OFGEM’s ongoing work on network charging should take a joined-up approach with regard to cost signals both for generation and end-use, to ensure decarbonisation can be delivered in the most cost-efficient way.

If you have any questions, or would value our input on any of the issues raised here, we would welcome the opportunity to discuss them in greater detail.

Yours faithfully,

Dr. Tom Steward

Senior Regulatory Affairs Manager
RWE