

Ofgem

14<sup>th</sup> February 2020

To whom it may concern

## **Consultation on Ofgem Forward Work Programme 2020-2022**

Transmission Investment, as one of the UK's leading independent transmission companies, welcomes Ofgem's Forward Work Programme for 2020-22 and the opportunities that it should provide for competition in networks to reduce costs for consumers.

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 two offshore wind connections in 2020 – in total a portfolio of approximately 2.5GW and £2bn in capital employed. We are the largest manager 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 onshore transmission and we continue to support the development of the required arrangements *inter alia* through industry groups, responding to consultations such as these and 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.

As such we are very supportive of the work that Ofgem has done to date and is planning to carry out in 2020-22 to introduce competition into monopoly areas.

### **Value for Money for Network Projects**

Competition in networks should be seen both in the context of the value competition brings from the projects that are competed, and in the benchmarks that it can provide when setting price controls for monopoly network companies. Greater use of competition in networks can increase the scope of the application of these benchmarks, and increase their validity – in particular, the introduction of competition into the delivery of new-build networks.

## CATO

We welcome Ofgem's intention to continue to focus on developing competition models for onshore networks. However, the significant period of time that has elapsed whilst competition models have been in development should be a cause of concern. The ongoing uncertainty is increasing the risk that external stakeholders lose interest to the detriment of consumers. We note the milestone of December 2021 as the date at which "*Competition model(s) for onshore networks be ready for implementation development completed*", and that commencement of a tender relies (for some models at least) upon legislation being approved by parliament. We also note that the ESO's Network Options Assessment (NOA) 2019/20<sup>1</sup> has identified 16 projects suitable for competition and which are recommended to proceed.

Ofgem should set out clear milestones for when competition for onshore network projects could commence (if legislation was in place) under both late and early models and the expected benefits they consider would be achieved by timely implementation of these competitive arrangements. This would safeguard the credibility of this work with stakeholders and demonstrate to government the benefit of moving forward with the relevant legislation.

We continue to believe that a late model for competition in networks would be beneficial for consumers, and could provide at least a transitional stage to an "early model". Whilst we understand no decisions have, as yet, been taken as to who should carry out early development works under a late model, we note that the ESO as well as the three incumbent TOs are reluctant to perform these works.

We are inputting into the ESO's workstream to develop models for early competition. One of these models is to include a "design-only" element. We are of the view that if this "design-only" element was to include the risk and responsibility for delivering the consents for the proposed design, it would both incentivise the designer to design consent-able projects, and would provide the identification of a party to deliver the early development works under a late model.

## OFTO

We continue to support the OFTO regime which is delivering significant value for consumers through the generator-build model. We welcome Ofgem's commitment to explore more coordinated solutions for connecting offshore generators to the onshore grid and support exploring the potential for meshed grids.

The OFTO-build model has not been used to date as generators have always elected to use the generator-build approach. More coordinated solutions will by their very nature have multiple uses and multiple users. This means that conflicts of interest could arise if an offshore wind farm developer is responsible for its construction. An OFTO-build model would present an alternative arrangement for an independent 3<sup>rd</sup> party to deliver co-ordinated connections for multiple offshore generators through coordinated solutions. We are therefore keen to see the OFTO-build model being further developed in order to be ready to support this scenario and the realisation of meshed grids. As part of this we see a more active role for the ESO in offshore grids in order to identify optimal connection solutions (and therefore offshore needs cases) across multiple offshore windfarm projects. We are therefore encouraged to see this

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<sup>1</sup> Network Options Assessment 2019-20, 31<sup>st</sup> January 2020, ESO – see pages 45 and 53

recognised and identified as Action 3 of Ofgem's decarbonisation programme action plan (February 2020).

In respect of existing OFTOs, many of these are now approaching the half-way point in their initial 20-year revenue term. We would welcome Ofgem providing greater detail on the policy and processes that would take place at or near the end of the initial revenue term. This should both assist OFTOs and offshore wind developers to plan in respect of existing OFTO projects, and provide greater certainty (which should reduce costs) in respect of yet to be tendered OFTOs.

## **Ensuring System Stability and Security**

### *Interconnectors*

We welcome Ofgem's commitment to continue to work with developers to deliver regulatory approval for new interconnectors. The aforementioned NOA has, in accordance with an Ofgem approved methodology, clearly identified consumer benefit from the delivery of the interconnectors currently in development. Regulatory support is critical to the successful realisation of these interconnectors.

We also support the further expansion of the interconnector regime to enable developers to deliver the optimal levels of interconnection and corresponding consumer benefits set out in the NOA. Given the significant benefits identified, we would hope that further development of the interconnector regime would be a key milestone within the early stages of this Forward Work Programme.

You will be aware that Brexit has resulted in regulatory delays to some interconnector projects and we note the significant efforts that Ofgem has taken to mitigate these delays. We would expect over the time period covered by this work plan that the uncertainty causing these delays should have reduced to the extent that these projects would be able to proceed. However, we expect that progress may also require flexibility in approach to the regulatory arrangements that apply to these projects and we would welcome Ofgem's continuing openness to considering flexibility where it is in the overall interests of consumers that projects should proceed.

If you would like to discuss any of the comments above please feel free to contact me.

Yours faithfully,



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