



Making a positive difference
for energy consumers

Mr Michael Mahony
SASES

By email mncmahony@btinternet.com

Date: 30 January 2020

Dear Michael,

Thank you for your patience in waiting for our response to the set of questions you left with us at the end of 2019. Before responding to your specific queries I'd like to make a couple of general comments first.

We share a similar view to SASES that the UK is fast approaching a tipping point in the development of the UK's significant offshore generation resources, particularly in areas such as the east coast of England. As a result, there is likely to be considerable benefit, in terms of mitigating the onshore environmental impacts and reducing the costs for consumers, from adopting a more strategic approach to the coordination and integration of the offshore and onshore connection infrastructure.

There are specific challenges to doing this because of the different licensing and regulatory regimes and the range of parties involved e.g. the RIIO price control regime for onshore networks, the competitive tender regime for offshore transmission assets, cap and floor regime for interconnectors, the Contract for Difference subsidy arrangements and the land-use and development planning regime.

As a result, it will likely need a cross-government approach to set the strategic direction and a plan to develop an integrated solution that aligns all of the different parts. We understand that initial thinking is underway on a way forward to do this. For example, we expect to set out our view on this issue in our soon to be published Decarbonisation Action Plan.¹ It will also be of interest to you that National Grid Electricity Transmission (NGET) has proposed in its RIIO-2 Business Plan a more strategic approach to designing the onshore network to facilitate the connections of offshore projects in future.²

I appreciate that while the serious implications of harnessing the UK's significant offshore wind resources is gaining traction, it is probably of little comfort to SASES and its concerns about the proposed development for connecting Scottish Power Renewables' (SPR) windfarms EA1N and EA2 to the onshore transmission system near Friston.

As discussed when we met in October, Ofgem does not decide, under the current framework, on the specific offshore wind connection offers that the National Grid Electricity

¹ This will be published in early February.

² See pages 59 - 60 of NGET's RIIO-2 Business Plan accessible on their website:

<https://www.nationalgrid.com/planning-together-riio/our-riio2-business-plan-2021-2026>, "Delivering your future electricity transmission system", December 2019.

System Operator (NGESO) makes to developers through its CION process. Similarly, we do not have direct oversight of the optioneering for the point of connection works to the onshore transmission system, or the informal or formal stakeholder consultation processes that are part of this, regardless of whether these are undertaken by NGET or the developer of the offshore windfarm. One of the reasons for this is that the current planning legislation, which sets out specific requirements for stakeholder consultation ahead of an application for a Development Consent Order (DCO), seeks to streamline the approval process for Nationally Significant Infrastructure Projects, and allows the option to amalgamate related developments, such as the onshore system substation and the offshore windfarm connection works, into a single DCO.

We note SASES concern that due to the amalgamation of the related developments in a single DCO, there is a risk that the location of the connection point works (to the onshore system) is taken as a given and is not subject to appropriate optioneering, stakeholder consultation and scrutiny. As the Planning Inspectorate has now accepted the DCO applications submitted by SPR for examination, it is appropriate that SASES, as a registered interested party to the DCO, raise its concerns as part of the formal examination. It will be for the Examining Authority to decide on these matters. As such, it is not appropriate for Ofgem to take a view on specific issues that will be considered at the examination stage of an application.

The remainder of this letter responds to your specific queries, which are summarised as follows:

1. Whether the NGESO's CION Assessment process is fit for purpose in terms of NGESO's regulatory obligations under the Electricity Act, its licence obligations and its stated commitments
2. Whether the subsequent CION Assessment for EA1N and EA2 is an adequate basis for moving the connection offer from Bramford to the Sizewell/Leiston area, especially when that decision overrode a previous decision, and without any consultation or transparency?
3. Whether NGET has failed to fulfil its commitments in its [Schedule 9 Statement](#) (required under the Electricity Act (EA) 1989) because it did not consult local stakeholders on the potential siting options for its onshore infrastructure (substation, cable sealing end compound, pylon alignment) to connect SPR's windfarms EA1N and EA2 with the onshore system?
4. Whether Ofgem is responsible for monitoring and enforcing compliance with EA Schedule 9 matters?
5. Whether there is scope for Ofgem to look at how future potential offshore connections in the area, including an interconnector project being developed by National Grid Ventures, have influenced the CION evaluation?
6. Whether we could suggest any additional contacts, that have an involvement/interest in the connection of offshore wind that you could also raise your concerns with.

Response to question 1:

The CION process was originally developed by NGESO at a time when the nature of offshore generation projects (at least in round 1 and 2) meant that the connections have been radial, point-to-point links, which provided an adequate route to market for near-shore wind projects.

As explained earlier in this letter, we think that when a significant development of offshore generation resources is to be undertaken, there is likely to be a large potential for efficiencies and reduced environmental impact if a coordinated and integrated approach is adopted. It appears that NGET also considers that a change in its optioneering for the onshore point of connect is required, and it has set out proposals in its RIIO-2 business plan for the period 2021 to 2026 (that are also referenced in first part of this letter).

We are currently assessing NGET's proposals as part of the RIIO-2 price control review process, and continue to work with other stakeholders to address wider issues such as the risks associated with anticipatory investment and the challenges of aligning the various regulatory regimes and government support schemes. This would likely have implications for the NGESO's approach.

In case you are not aware, there is an opportunity for stakeholders to provide their views and evidence on any aspect of the RIIO-2 price control business plans of the network companies by responding to our Call for Evidence³ (which closes on the 10th February).

Response to question 2 and 3:

As the DCO application for EA2 has now been accepted by the Planning Inspectorate, we consider that SASES should direct these concerns as formal matters for the Examination Authority to consider.

Response to question 4:

Ofgem is not responsible for monitoring and enforcing compliance with EA Schedule 9 matters.

Response to question 5:

Ofgem is not able to look into the influence, if any, other projects have had on the NGESO's evaluation of the connection points for EA1N and EA2. We would require some evidence to substantiate that there are reasonable grounds for opening a relevant line of enquiry.

Response to question 6:

We understand that SASES is in contact with colleagues at BEIS regarding the issues set out in this letter. As the DCO application is now sitting with the Planning Inspectorate, we think it is appropriate that SASES direct its concerns regarding the specific development proposal for EA1N and EA2 to the Examining Authority to ensure its concerns are given due consideration.

With regard to additional contact, we note that the National Infrastructure Commission (NIC), NIC published its report 'Strategic Investment and Public Confidence'⁴ in October 2019, which looks at infrastructure in the regulated areas, such as energy. A key recommendation to Government is the need for a more strategic framework to deliver the UK's long-term investment needs. If you would like to initiate a more generic/strategic discussion on the issues raised in that document, or how you think these might be relevant to the future approach to offshore/onshore developments, you could contact Joanna.Campbell@nic.gov.uk.

Yours sincerely,

Min Zhu
Deputy Director, Systems and Networks

³ <https://www.ofgem.gov.uk/publications-and-updates/call-evidence-electricity-transmission-gas-transmission-gas-distribution-and-electricity-system-operator-business-plans-riio-2>.

⁴ <https://www.nic.org.uk/publications/strategic-investment-and-public-confidence/>.