

# Meeting minutes

## ENSG

<b>Date:</b> 19/11/20	<b>Location:</b> Microsoft Teams
<b>Start:</b> 10:00	<b>End:</b> 13:00

## Participants

Panel Chair	Dame Fiona Woolf	
Panel Members	Ed Rees (Consumer Representative)	Richard Clay (Seabed Manager)
	John Greasley (Interconnector)	James Dickson (OFTO)
	Andy Paine (Offshore Developer)	Douglas Allan (Onshore Developer)
	Marko Grizelj (Technology Supply Chain)	James Harris (Planning Representative)
	Darryl Murphy (Asset Investor)	Tania Davey (Local Environmental Groups)
	Neil Copeland (Ofgem)	James Norman (Ofgem)
	William Black (Planning Representative)	Lynne Bryceland (DNO)
Early Competition Project Team Attendees	Hannah Kirk-Wilson	Urmi Mistry
	Sally Thatcher	Mike Oxenham
	Rachel Payne	Richard Paterson
Offshore Coordination Project Team Attendees	Alice Etheridge	Luke Wainwright
	Biljana Stojkovska	Rhiannon Marsh
Apologies	Cathy McClay (Existing Service Provider)	Craig Dyke (ESO - Head of Strategy & Regulation)
	Simon Rooke (Asset Contractor)	Hedd Roberts (TO)

## Discussion and details

### 1. Previous minutes and actions

There were no additional comments on the minutes from the previous meeting.

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Alice M requested anyone who hasn't sent their bio and photo to do as soon as possible. Rachel confirmed the website will be launched soon and will include the Terms of Reference and bios.

Alice E gave an update on action 17 and said they will pull together all the feedback they have received and publish it in the consultation report.

Alice M confirmed meeting invites for the future meetings had been sent and action 18 could be closed.

Fiona said she was not sure the group had finished reviewing the approver role and believed actions 20 and 21 needs to be kept open until it is discussed further.

Rachel confirmed the team are still reviewing the diagram that will be included in the consultation for action 24 and that the Advisory Committee will be represented in the diagram.

Hannah said they have been considering how to validate verbal feedback for action 25 and have agreed that at the start of a bilateral meeting to check whether the person they are speaking to has the authority to give views on behalf of their company. Action 25 can be closed.

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## 2. BEIS Offshore Transmission Network Review (OTNR) Update

Matt gave an overview of how BEIS have been progressing with the OTNR and an overview of the scope and timelines.

Matt said the current transmission regime was developed at a time when it was thought 10GW of offshore wind by 2030 would be a stretch. With the new targets in place there is a need for a new suite of policies to meet them. There has also been a lot of concern raised from East Anglia and east coast residents due to individual wind farms building individual links to the same substation, causing disruption and impacting the environment. Due to this, BEIS thought it was the right time to launch the review last July.

Matt spoke through slides 4 to 9 explaining the aim and scope of the review, the high-level workstreams and the governance structure of the project.

Matt said the ESO work will feed in to the BEIS review to ensure it is heading in the right direction and support them in setting the scope of the next phase in more detail. ESO have already shown the benefits in phase 1 of the Offshore Coordination project. Matt discussed these benefits on slide 10.

Matt said BEIS are determining which projects could be pathfinders and are considering what the new enduring regime could be as outlined on slides 11 to 13. BEIS will be holding a stakeholder event on 17 December to provide more detail on the timelines for delivery.

Marko asked the how often the Expert Advisory Group and Project Working Group meets and raised concerns on how quickly BEIS will be able to work through the issues. Matt said all groups are meeting monthly and that they have also flagged to the expert group that there may be times where small groups will need to be formed to consider specific issues outside of the monthly meeting, which should speed up responses.

Marko said projects in Auction Rounds 4 - 5 have been designed for the last 2-3 years and some of them have paid seven figures to build the design. He asked how BEIS plan to approach these projects in order to fundamentally change how these projects are constructed and designed and not delay the projects by several years. Matt said that it was a fair challenge and they are not under-estimating the challenge to get those projects to change their business model. BEIS are also aware that the closer the projects are to CfD award the harder it will be to change them. The scope does include Auction Round 4 projects but will be more focussed on Auction Round 5 projects.

Marko said that there is too much focus on DC circuit breakers, and they are not likely to be required for many years until there are more complex offshore grids. Marko said he is concerned the messaging is incorrect. Alice E said she doesn't disagree, and it is correct that a coordinated network can be built without DC circuit breakers, but there would be a higher operational risk and there are benefits if they can develop them.

Andy agreed with Marko's previous comment about the timing of the medium-term projects and level of commitments developers will be making at Auction Rounds 4 and 5. Andy said the review should not compromise projects with contracted positions. Matt said the development timeline is one of their priority actions at the moment. BEIS have been working with the Expert Advisory Group and RUK to understand the risks the developers expose themselves to at each stage.

Andy asked if the multi-level governance structure is agile enough to make quick decisions. Matt said they are trying to balance a rigorous approach with delivery. The Project Working Group is the agile part reporting into the Project Board. The governance structure will be kept under review and they can always flex it if it isn't working. BEIS recruited PMO expertise to help build the structure. The Project Board has director level representation from different organisations. There is a challenge that key decision points may need to convene an executive committee if there are points the Project Board are finding difficult to agree on.

Andy asked if the slides can be shared. Matt said they will be.

#### **ACTION – Matt to send slides**

Fiona said the issue of offshore coordination has been around a long time and looking at barriers must be the key to unlocking the problem. Fiona asked where BEIS had got to on the anticipatory investment issue and if they are planning on publishing interim newsletters on where BEIS have got to periodically to keep people broadly abreast of their progress.

Matt said there are many barriers and the biggest barrier is how they expect developers to build the links; that is the standard business model and everyone is comfortable with the delivery risks for transmission. That leads to commercial barriers where it is difficult for large companies to work together on large projects. Anticipatory investments are another key part, but it is for Ofgem to consider what the process would be. In order to communicate general updates, BEIS have set up a review website and will post regular updates on how BEIS are progressing against the timeline.

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### **3. Offshore Coordination Consultation Update**

Rhiannon spoke through slide 17 giving an overview of how stakeholders gave feedback and how many responses they received in response to the consultation. Rhiannon said they held 11 interactive workshops to get stakeholder feedback on the consultation and they also received 40 written responses. There was overall support for offshore coordination from the feedback and stakeholders said they wanted to make this happen as quickly as possible. Some stakeholders asked for impact assessments to be carried out on current projects.

Luke spoke through slide 18 to give high level overview of feedback received on the CBA.

Biljana gave an overview of what questions were asked by respondents to the consultation. The team received 160 questions which they have grouped into four areas as shown on slide 19.

Luke spoke through slide 20 to give an overview of the feedback received on connections. Consensus agreed with the proposals in the consultation and most of the questions were around how they can be implemented. Respondents wanted an early joined up approach ahead of the CION process. There

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was support for a planned approach rather than a development approach. There were a lot of different worries on how liabilities may change.

Rhiannon summarised other feedback received on slide 21. The other feedback covered what can be achieved, risks for shared connections and wider strategy.

Marko thanked the team for their hard work on the consultation. Marko said Siemens had recently received a supplier questionnaire for Eastern link and that from the questions there seemed to be no consideration of how it may be coordinated or branch off to connect wind farms, which was disappointing. Alice E said they are aware the bootstraps are in the NOA and progressing as planned. The team have used the NOA as a baseline. The proposals in their work build on their baseline as there is the need to get the power down from Scotland no matter what happens. There has been some discussion on whether the bootstraps should be included but there are concerns around delaying the project and it would in fact be beneficial if the bootstrap is connected earlier than planned to reduce costs of constraints.

Lynne said the bootstrap project has already being designed and it has been in the NOA pipeline for a while. The project is not just trying to capture offshore wind capacity but is there to manage onshore capacity as well. It is important to push this ahead as quickly as possible. Marko said these are great points, but they need to be highlighted as others will be asking the same question. Tania said she would press for them to look at any opportunity for a coordinated point for environmental reasons.

Fiona said she found the issue of the Eastern Link going ahead with no mention of offshore coordination startling and that it could be viewed as a missed opportunity. She asked if any other member of the group had any further comments, Tania said she supports Fiona's comments; there should be transparency on why it can't be included. It needs to be clearly outlined. From an environmental perspective there should be discussions on whether there are opportunities here.

Douglas said the bootstraps are needed now and if they are to be included as part of the offshore coordination projects then they would be delayed; he understands the need for better messaging but would be concerned if they were brought into scope. Andy said he agrees with Douglas and he is concerned these projects will not happen quickly enough and duration of the process needs to be more radically addressed.

Richard C said, linking back to Matt's presentation, it was mentioned that BEIS were considering pathfinder projects for offshore wind, but the concept of pathfinders should be considered more widely and include projects like bootstraps as it is all transmission infrastructure and there could be an opportunity to bring forward some of the timelines.

Neil said it is a valid point and that transmission infrastructure will be considered from a pathfinder point of view. One of the challenges that will need to be considered for the bootstraps is that if the bootstraps are considered under the definition of offshore transmission it means they need to be competitively considered. Richard C said he agrees with the definition but they are legal definitions and there needs to be legislative changes so it should be reviewed.

Lynne said that anticipatory investment will be an important consideration for offshore wind, as well as EVs and heat.

Tania asked whether there is going to be a summary produced on feedback received. Alice E said they will produce a feedback report, including all written and verbal feedback. Within the document itself there will be high level summaries as well. Any feedback on areas beyond the ESO scope is being passed on to Ofgem and BEIS.

#### 4. Offshore Coordination Phase 2 Scoping

##### Workstream 1: ESO offshore coordination strategy

Rhiannon spoke through the first workstream proposed for phase 2 on slide 24. This workstream is an overarching workstream and has been expanded into four areas:

1. Develop the long term ESO objectives for offshore coordination and ensuring that workstreams 2-5 align with the BEIS OTNR.
2. Work with BEIS of Ofgem to agree the role of the ESO in the enduring regime and any interim approaches.
3. Support and oversee the transition of activities into business as usual teams and processes
4. Encompass stakeholder strategy and engagement and project management activities

John said there were 10 workstreams for OTNR, which were not discussed in any detail and there are 5 workstreams as part of the ESO work; it would be useful to see how they interact. Alice E said they have tried to link the workstreams to the OTNR work but as BEIS has not shown their 10 workstreams the ESO cannot share them. Alice E said they need to ensure the ESO work is going in the same direction as the OTNR. The ESO team have assumed that there is the potential for a change to the role of the ESO and they want to have informed conversations in that space. John said there needs to be acknowledgement that the OTNR work is the umbrella piece of work. Alice E said the issue they have is that there is work ongoing with Ofgem and BEIS and ESO are not aware of all of it, but they still need to be linked in.

There were no objections from the group for this workstream.

##### Workstream 2: More detailed technical analysis

Biljana gave an overview of workstream 2 on slide 25.

Phase 1 of the workstreams is to spend three months to look at the technical aspects of offshore coordination. This will lead to the baseline of what is required for phase 2. This piece of work has been split into three areas:

1. Planning analysis to review the SQSS, including CBA for increasing to 1800MW and to reduce the need for DC circuit breakers. New offshore planning standards will be considered, and the team will be looking at proper planning activities every 5 years, working backwards from 2050.
2. Coordination activities to consider how to coordinate offshore and onshore as well as coordination between windfarms and interconnectors. Bootstraps should be part of the coordination going forward.
3. Operational impact studies to review the Grid Code and how to modify it.

Andy asked for the timeline of the SQSS review. Biljana said the review will start in January 2021 and hope to conclude in July 2021. Andy asked if the team would be amenable to discuss the review with industry experts. Biljana said they are planning to form a group to discuss this.

Tania said she was very supportive of more technical analysis, particularly looking at the network design every five years from 2050 as it means it is not a piecemeal approach. On environmental constraints and impacts, Tania would be interested to know what the team are considering. They are trying to achieve ecological recovery in the marine environment as well as trying to avert the energy crisis. Biljana said they aim to get realistic designs and will take the opportunity to discuss with Tania further.

There were no comments disagreeing with this workstream and the group were supportive of this piece of work. Marko said he supports it and liked the detail.

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**Workstream 3: Extension to cost benefit analysis**

Luke spoke through slide 26 giving an overview of workstream 3. Luke said in January 2021 they will carry out analysis on potential benefits to local communities and supply chains and carry out a qualitative desktop exercise of what other countries have done. There has been feedback that the team need to consider risks of delivery and of stranded assets. There will also be analysis on the impact of other direct costs associated with capex on the overall cost-benefit case.

From June onwards, the team will run the CBA and analyse the impact of an integrated approach on the onshore network. The from June 2021 onwards the team will do least regrets analysis on different future scenarios of wind.

Marko said the proposal looks good but wanted to ensure the team will be considering the negative impact on supply chains as there is uncertainty of what this may look like and may cause hesitance to build up labour. There is also an obvious focus on HVDC technology and this very specialist technology and only a handful of players currently could supply it so may have a negative impact on competition. Local councils also have questions about local supply benefits and long-term supply pipelines. Luke said their analysis is neutral and aims to dispel myths and have clarity and facts. If there are negative side effects, then they will investigate those. Luke agreed that there are not many people supplying HVDC but would think that signals given will probably increase the number of players. Marko said Original Equipment Manufacturers (OEMs) should be considered.

Alice E said they will change the wording of 'potential benefit' to 'potential impact'.

**ACTION – Luke to update wording of workstream 3 to 'analyse potential impact' rather than benefit.**

James H said this area is touching on the research the Royal Town Planning Institute have done on the problem that energy utility providers struggle to make investments to unlock planned development as they see the town planning process as too uncertain about what gets built at what speed to invest in advance of it. Therefore, government is considering reforming the planning system to provide more certainty to allow more investment. James H said he is happy to send over the research they have been carried out. Luke said he is happy to look at the research.

Andy said he is generally supportive of this workstream but is not sure he understands the anticipatory investment work. Luke said in principle there is a worry that there has been no consideration of cost savings. The team will consider the experience of other countries, for example the Dutch, and understand what the risk is that not all the developers will turn up on average. This will provide useful references to how others have dealt with this and how much risk there is of it happening. It will also give context and inform the debate around what others are thinking the right solution is.

No one in the group disagreed with this workstream but there was no strong signal of support.

**Workstream 4: Tactical coordination opportunities**

Luke then went onto slide 27 to give an overview of workstream 4. Luke said this workstream was very much tied to the OTNR and the team have been working very closely with BEIS on this. They have also been listening to what stakeholders are saying on opportunities between 2025-2030.

One piece of work that will be done is analysis on barriers. They will pull together all projects connecting and then look at the options and understand where the gaps are in regulation and CUSC. The team will be working with Ofgem and BEIS as well as developers to understand what could be possible.

Tania asked whether the barriers they will be analysing are more in terms of technical barriers rather than environmental. Luke said they will be considering all upcoming projects in Rounds 2-4 and whether there

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is the opportunity for coordination. As part of that they will be considering environmental issues too. Tania said they should consider environmental legislation.

James D asked whether the two ongoing seabed leasing rounds may fall into the bucket to be considered for offshore coordination in workstream 4 and if the proposals will be more conceptual or practical. Luke said their scope is any project from 2025 to 2029. Biljana said constraints on seabed leasing will be considered under the technical analysis work in workstream 2 but they will be giving a more conceptual design.

Alice E said it was important to note they are still discussing with BEIS and Ofgem what the ESO role might be.

There were no objections from the group to the scope of this workstream. There was support that the team needed to look at short term as well as medium to long term issues. The team are still shaping what this workstream looks like and are having conversations with BEIS and Ofgem. Feedback from the group suggests the team needs to be clear how it links in with the wider work.

### **Workstream 5: Roadmap of code modifications**

Rhiannon spoke through slide 28 on workstream 5. The overarching objective of this workstream is to publish and deliver a roadmap. The workstream has been split into three pieces of work:

1. January to May 2020 - Developing and publishing a roadmap with an industry agreed rollout plan on changes required for codes and the connection regime. The medium to long term activities will be identified through phase 1. It will very much be an industry exercise to develop this and ensure it is agreed and it will be used to inform priorities and timelines of changes.
2. August 2021 to June 2022 - Delivery and implementation of the roadmap. The approach to deliver identify industry changes is still to be determined and the team will be considering if there is an innovative way to push the changes through. Feedback has said the changes need to be pushed through quickly to deliver benefits identified.
3. January to March 2020 - International review to look at international best practice and direction of travel in Europe, as requested by stakeholder feedback. Outputs of this workstream would be internal recommendations. This workstream will include a review of multipurpose interconnectors.

Andy asked how the ESO roadmap and implementation plan will integrate with the OTNR work. Alice E said one of the challenges is that for some of this work they need to know what the end model is as set by the OTNR. There are some areas where it is clear there will need to be changes but other areas will not be so clear.

Andy asked if June 2022 is when the delivery model will fall into place. Rhiannon said they are indicative timelines to fit in with the BEIS OTNR and until they know fully what is required it is difficult to know what the final timeline will be. Alice E said they will be taking timing from the OTNR.

Andy said a more robust programme is required to show who is doing what; it would be useful if a draft is included in phase 2. Rhiannon said they are looking to include this with the roadmap with a clear plan and priorities. Andy asked for a roadmap not just for ESO work, but also including the OTNR and how it fits together. Alice E said this should come from BEIS.

John said this work is the right thing to do. John said we are faced with huge amount of uncertainty with Brexit for cross border trades and asked if the team are considering how these will develop from January onwards as a lot of thinking is required. Rhiannon said the team can make sure this is captured in their scope.

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There is support from the group on this workstream. Feedback suggested the team needs to ensure it is linked with the OTNR and overarching timeline.

Alice E asked the group to send an email if they have any further feedback on phase 2 proposals.

**ACTION - feedback to team if there are any more comments on phase 2 proposals**

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## 5. Early Competition Consultation Update

Hannah went through slide 30 to introduce the presentation to give an overview of their positions to be stated in the consultation to be published 7th December. Hannah said the team had taken on the feedback that the last consultation was long and difficult to get through. The team have been looking at how to structure the document to make it as easy as possible to read and respond to. There will be a summary document. The consultation will be published on 7th December with the launch webinar scheduled for 15th December.

Rachel spoke through slides 31 to 33 and gave an overview of what engagement has been done so far during the project and what engagement is planned. Rachel said they were asking the group for views on their approach.

Lynne said she has previously been critical on the consultation timelines, and said she recognises that the team has reviewed the timeline and extended the consultation period to 10 weeks and thanked the team for giving a more realistic timeline.

Urmi spoke through slides 34 and 35 to give an overview of what will be suggested in the consultation on roles and responsibilities, including the approver role, the procurement body and other roles.

Sally went through slides 36 and 37 and discussed what will be proposed in the consultation for the network planning bodies and project identification.

Mike spoke through slides 38 and 39 to give an overview of the commercial model recommendations. Mike said there was concern around the cost assessment process, so the team are proposing an economic and efficient review process. The team are also proposing enhanced contractual measures for non-network solutions. Performance bonds are likely to be controversial with stakeholders.

Sally spoke about the tender process on slide 40 and said they will set out more detail on the process and stage one of the process in the consultation.

Mike gave an update on their current thinking for the post-tender award and what will be included in the consultation, on slide 41, and went on to discuss their views on implementation on slide 42.

Richard P, on slide 43, said that the proposal for role of the ESO in ED2 early competition was being given for the first time in the next consultation.

Hannah asked for the group to feedback any thoughts they have on what has been discussed offline.

**ACTION – group members to feedback any comments they have on the Early Competition slides.**

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## 6. AOB

There was no AOB.

Fiona thanked the group members for attending and said she looked forward to the next meeting on the 26<sup>th</sup> January.

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