

Monday 27th September 2021

www.nationalgrideso.com

Electricity System Operator (ESO) Open Letter on the Offshore Transmission Network Review (OTNR)

Dear colleagues,

One of the key areas of regulatory development at this time is the effort to bring about greater coordination in the development of the offshore transmission system through the OTNR, which was launched in July 2020 by the Minister of State for Business, Energy and Clean Growth to support the offshore wind target of 40GW by 2030¹.

Within the OTNR we are working collaboratively with key stakeholders, including the Transmission Owners (TOs). We have published this open letter in our role as the chair of the newly established Central Design Group (CDG) within the OTNR Pathway to 2030 workstream. It has been drafted in collaboration with the TOs and the content is supported by Scottish and Southern Electricity Networks Transmission (SSEN-T), Scottish Power Energy Networks (SPEN) and National Grid Electricity Transmission (NGET) as key members of the CDG

This open letter provides an update to offshore project developers on how the OTNR could impact on their current offshore connection contracts or any future offshore applications / modifications. In this context, and given the aims of the OTNR, 'offshore' refers to applications and connection contracts for access to and use of the transmission system for either generation or demand projects which are not located onshore. As a result, offshore encompasses projects with offshore infrastructure, including offshore wind farms, offshore demand, interconnectors and Multi-Purpose Interconnectors (MPIs) even though they are not classed as offshore transmission.

The OTNR has been structured in workstreams² and the impact of each of these on connections is different. We have set out our current position on each workstream as follows.

Early Opportunities Workstream

Under the current arrangements, connection offers have been made on the basis that the design of the transmission works (onshore and offshore), and specifically the interface between these transmission works, have been established through the 'Connection and Infrastructure Options Note process' i.e. the CION process³. This CION process is usually fully undertaken after the connection offer has been entered into by the developer and the ESO.

Any offshore projects which have previously been through the full CION process but have not achieved both planning consent and a Contract for Difference (or equivalent) will generally be considered to be within scope of the Early Opportunities workstream. Those projects can opt-in with a pathfinder proposal to consider coordination and further information on opting-in can be found [here](#). As these projects are at an advanced stage of development where much of the detailed network design and planning consent work has already been completed, opting-in to a coordinated design is currently voluntary.

The intention of this workstream is to provide an avenue for offshore developers to consider opportunities for these projects to work together to determine whether there is a more coordinated option available than that previously identified through the traditional CION approach, especially in regions where several projects are

¹ <https://www.gov.uk/government/groups/offshore-transmission-network-review>

² Early Opportunities, Pathway to 2030, Enduring Regime and MPIs.

³ A 'connection offer' is the contractual documentation provided to a developer following a licenced 'connection process', whereas the 'CION process' is an associated process which only applies to some connection offers. More information can be found [here](#) and [here](#).

expected to connect. If identified and agreed to be deliverable under Early Opportunities, connection contracts will then need to be updated to provide for this coordination.

We will inform relevant project developers if their current/planned project is considered to be in-scope for the Early Opportunities workstream.

We expect that any offshore projects considered to be connecting prior to the Early Opportunities workstream scope will likely continue under the status quo connection process and contract arrangements. This category includes any offshore project which has concluded their post-signature CION process (if required) and has relevant planning consents and a Contract for Difference, or equivalent.

Pathway to 2030 Workstream

As set out above, a CDG has been set up under the OTNR for the Pathway to 2030 workstream which will allow the ESO to produce a Holistic Network Design (HND) in consultation with the TOs in respect of the connection of in-scope offshore projects and/or agreed future capacity requirements. A draft of the Terms of Reference for the CDG can be found within the recent Ofgem consultation related to Early Opportunities, Pathway to 2030 and MPis [here](#).

Projects in-scope for the HND and Pathway to 2030 workstream are primarily The Crown Estate Leasing Round 4⁴ and ScotWind⁵ projects. These projects will be considered in the HND which is aiming to be delivered as per the CDG Terms of Reference. We anticipate that the workstream scope will also include offshore projects within the Celtic Sea⁶ and a handful of other offshore projects which are spatially and/or temporally relevant to other in-scope projects for the HND and Pathway to 2030 workstream. We will inform relevant project developers if their current/planned project is considered to be in-scope for the HND and Pathway to 2030 workstream, with additional connection contract clauses added into relevant contracts. This will only be to the extent that they are necessary to account for the potential future changes due to the HND and Pathway to 2030 workstream.

The approach to ensure connection offers include the overall efficient, coordinated and economical solution remains and is now reinforced by the objectives of the OTNR, including the HND as per the Terms of Reference as above. The traditional CION process reflects a more limited approach to coordination than is now envisaged under the HND and Pathway to 2030 workstream. This traditional approach will therefore be adapted for in-scope projects and the connection design and post CION offer will instead be based on the outputs of the HND and this will be provided for in updated connection contracts in future.

Once the HND is available we will work with TOs and in-scope developers to update connection contracts as a result of the HND (e.g. the interface site, connection date, etc.) and also as a result of any changes to the offshore delivery model, as has recently been consulted upon by Ofgem within the above referenced consultation.

We will continue to engage with in-scope project developers over the coming months. This includes holding the first of a programme of regular webinars for in-scope project developers in the near future and more information, including on the date and time of this first webinar (which will be mid-October 2021), will be provided in the near future. Further information on process and timescales will be provided and you can register your interest [here](#).

A high-level overview of the key process steps to develop the HND, is included within Appendix 1.

Enduring Regime Workstream

For offshore projects which are not within scope of a prior workstream there will still be project impacts as the Enduring Regime continues to be developed.

As such, in the short-term any new offshore applications considered to be intending to connect within the Enduring Regime timescales (i.e. subsequent to Early Opportunities and Pathway to 2030) will be progressed

⁴ <https://www.thecrownestate.co.uk/en-gb/what-we-do/on-the-seabed/offshore-wind-leasing-round-4/>

⁵ <https://www.crownestatescotland.com/what-we-do/marine/asset/offshore-wind/section/scotwind-leasing>

⁶ <https://www.thecrownestate.co.uk/en-gb/media-and-insights/news/the-crown-estate-to-create-new-floating-wind-leasing-opportunity-in-the-celtic-sea/>

on a 'pre-CION' basis. Whilst this will tentatively identify the transmission works and resulting connection date (etc), further work will be required to validate or amend these at a later date.

The connection offer will therefore be subject to the outcome of the development of the Enduring Regime, including the process for identifying the overall efficient, coordinated and economical solution and the available offshore delivery models.

We will keep the post-acceptance position/process for projects in-scope for the Enduring Regime under review, as we expect them to be delivered through the approach developed in this workstream rather than through the traditional or adapted CION approach as above. This will be recognised and provided for in any connection contracts offered in future. An initial consultation related to the Enduring Regime is expected to be published by the Department for Business, Energy and Industrial Strategy (BEIS) in the near future.

We will inform relevant project developers if their current/planned project is considered to be in-scope for the Enduring Regime workstream and we expect that additional connection contract clauses will be incorporated into relevant connection offers as a result of the Enduring Regime workstream.

Next Steps

We recognise that the above will create uncertainty for current and future offshore developers. As you may appreciate, matters are evolving and we hope that this open letter starts to provide clarity, especially for projects in-scope for Pathway to 2030 in relation to the key process steps included within Appendix 1.

As well as the expected Pathway to 2030 webinars mentioned above, we will be publishing an Autumn Offshore Coordination progress update in mid-October 2021 and subsequently holding a progress update webinar shortly thereafter and further information on both will be provided in the near future.

We will continue to keep you updated and engage you as the OTNR is progressed across all workstreams.

In the meantime, if you have any questions about the potential impacts on your current or planned future offshore projects please get in contact with your ESO Connections Contract Manager or the Offshore Coordination Team at box.OffshoreCoord@nationalgridESO.com.

Yours sincerely



Graham Stein

Offshore Coordination Senior Manager and CDG Chair

APPENDIX 1

The HND will be developed in close engagement with key stakeholders and offshore project developers are one of those key stakeholders. We expect that offshore project developers will have relevant information and insights in relation to the development of the HND in support of the ESO and TOs. Therefore, we expect that the CDG will regularly engage and consult with impacted offshore project developers at key points throughout the HND development process via a variety of channels e.g. bilateral discussions, webinars, periodic update publications, etc. This engagement will continue beyond the publication of the HND. So far, we have produced a high-level overview of the key process steps in respect of the development of the HND.

Step 1: Onshore Network Update

Update of the onshore network model to incorporate additional network reinforcement schemes to support 40GW of offshore wind by 2030. Development of a Cost-Benefit Analysis (CBA) methodology against which the options will be considered in relation to the HND as per the CDG Terms of Reference.

Step 2: Onshore and Offshore Network Planning and Coordination

- a. 2030 counterfactual offshore design
 - Analyse the counterfactual design i.e. radial connections for in-scope projects.
- b. 2030 coordinated offshore design
 - Develop the strategic medium-term coordinated offshore network design for 2030. This design will only consider in-scope offshore wind anticipated to connect up to 2030.
- c. 2030 coordinated offshore design with a 2050 outlook
 - Develop a strategic outlook coordinated offshore network design for 2030. This design will consider the 2030 network in the context of the development of offshore wind across three future energy scenarios to 2050.

Step 3: CBA and Least Worst Regret Analysis

The CBA will be undertaken to identify the preferred HND for projects in-scope. This will involve appropriate consideration of each of the four Network Design Objectives within the CDG Terms of Reference.

Step 4: Single HND and Final Report with Recommendations

The results and supporting information will be included within a Final Report in respect of the HND.

Step 5: HND Design Iteration

There will likely be a need to refine some of the HND once the outcome of the ScotWind leasing round is known in January 2022.

Step 6: Connection Contract Update Programme⁷

Connection contracts will be updated as and where required as a result of the HND e.g. in respect of any onshore and offshore works, the interface point, the connection date, etc.

Step 7: Detailed Network Design (Post-HND)

Once the HND stage formally concludes, subject to the above referenced Ofgem consultation, onshore TOs will (for onshore work not already within this stage) take relevant onshore transmission system works into the detailed network design stage. The relevant offshore transmission works will be taken into the detailed network design stage by the appropriate party in accordance with such Ofgem consultation.

⁷ Subject to Step 5 being required and concluded and any potential interactions with the outcome of the offshore delivery model consultation. We will continue to develop Step 6 and aim to provide potentially impacted developers with a more robust and granular plan in relation to the connection contract update programme in Q4 2021.

Engagement and close working with projects in-scope will occur over the coming months and also ahead of the Final Report becoming available. We will also endeavour to share any interim views and outputs with key stakeholders. Current and planned engagement with projects in-scope includes:

- Engagement on offshore unit costs
- Engagement on offshore constraints
- Engagement on any proactive coordination proposals for the HND from projects in-scope

For the avoidance of doubt, we are happy to engage in respect of projects in-scope more broadly than in relation to the above points and we are also happy to engage with other interested stakeholders beyond those directly impacted by the HND.

Stakeholders will be informed and engaged at appropriate stages throughout the above process.

Further information in relation to such engagement will be provided to in-scope projects in the near future.