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## **Caledonia Offshore Wind Farm Limited's response to Ofgem's Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects**

Caledonia Offshore Wind Farm Limited (Caledonia) is fully owned by Ocean Winds, a 50-50 joint venture between EDP Renewables and ENGIE. Ocean Winds is one of the largest offshore wind developers in the UK with over a decade of experience and 6GW of projects across operation, construction, and development. Ocean Wind's 950MW Moray East project has been operational since 2021, and the neighbouring 882MW Moray West project is currently in construction and generated first power this July. Ocean Winds has a further 4GW of offshore projects in Scotland currently under development, including Caledonia (2GW) and Arven (2.3GW) ScotWind projects.

Caledonia welcomes the opportunity to respond to Ofgem's consultation on the proposed regulatory funding and approval framework for transitional Centralised Strategic Network Plan 2 (tCSNP2) projects. Timely connection of renewable, low-carbon generation is paramount to achieving the UK's legally binding net zero commitments and near-term 2030 clean energy targets. Caledonia welcomes Ofgem's proactive efforts to progress critical early-stage transmission infrastructure upgrades to ensure networks can keep pace with clean energy deployment and bolster investor confidence that strategic network buildout is coming. However, more focus is required on the delivery of enabling infrastructure by 2030 in order to achieve the Government's offshore wind deployment targets, which will be detailed in their forthcoming Clean Power by 2030 (CPP2030) plan.

For example, the Electricity System Operator's (ESO's) tCSNP1 (previously known as the Holistic Network Design (HND)) recommended that our Caledonia project connect into New Deer substation with a 2030 connection date. The transmission infrastructure upgrades recommended in tCSNP1, and which will form the enabling works for our Caledonia project, were included within the Accelerated Strategic Transmission Investment (ASTI) framework. The intent, as communicated to developers, was that the tCSNP2 would not impact the delivery of the tCSNP1 transmission infrastructure upgrades. This is critical in that offshore wind developers are relying on these works moving forward as designed.

It is very concerning that some of the transmission infrastructure upgrades recommended in tCSNP2 are now required for delivery of offshore wind projects that were included in the original tCSNP1. This introduces unnecessary risk and undermines the purpose of the tCSNP1 (HND), which is to enable the connection of 11GW of offshore wind capacity by 2030 in Scotland. The dependency on enabling infrastructure identified in tCSNP2 for Caledonia now presents an unnecessary risk that could materially affect a 2030 connection date.

To mitigate this risk, **we believe that any works identified within the tCSNP2 that are required to meet the original objective of tCSNP1 should be brought under the original ASTI framework, rather than a later one.** This should include clear Price Control Deliverables (PCD), Licence Obligations (LOs) and Output Delivery Incentives (ODIs) reflective of that position. The Government's CPP2030 plan will only be supported by rapid deployment of offshore wind in Scotland, and these projects that have the strong foundations needed to be delivered quickly and cheaply. Therefore, such projects should not be exposed to a regulatory drag on decision making, particularly when the transmission infrastructure upgrades required are relatively low regret.

While the tCSNP2 is taking a promising step forward in advancing key system-critical projects, this effort comes at a time when there are overlapping large-scale policy and regulatory changes under consideration that have yet to materialise. Navigating the uncertainties and risks around potential outcomes to the Review of Electricity Market Arrangements (REMA), the Government's CPP2030 plan, the release of the Strategic Spatial Energy Plan (SSEP), among others, is challenging. Alone, location-based price signals, both existing signals such as Transmission Network Use of System (TNUoS) charges and Transmission Loss Multipliers (TLMs), and the proposed introduction of zonal pricing via REMA, could pose a significant threat to the delivery of key offshore wind projects that are necessary to deliver the UK's legally binding net zero targets.

To this end, it is of paramount importance that schemes, like the projects identified in the tCSNP2, are delivered effectively and efficiently to ensure that Great Britain can quickly deploy the network that is required to meet net zero targets and reliably deliver clean energy to consumers around the country without delay. Caledonia recognises that the proposed tCSNP2-Refresh has the potential to delay progress and thus undermine the effectiveness of this scheme. We would support a move to eliminate the publication of the tCSNP2-Refresh, and rather focus industry efforts on delivering the forthcoming Centralised Strategic Network Plan (CSNP) on a faster timeline.

We would like to also note that there is limited commentary within the current consultation around the impacts to developers and generators. Current industry reforms are putting a great deal of additional risk in the development of critical national infrastructure projects like offshore wind farms. Now that the Growth Duty has been

extended to Ofgem<sup>1</sup>, the expectation is that regulators consider the potential impact of their activities and decisions on economic growth for the wider UK economy as part of their statutory duties. This is absent within the consultation in respect to impact of the tCSNP2 on developers and generators. We believe that there is an obligation under the Growth Duty for Ofgem to consider a more balanced sharing of risk on the delivery of connection dates to protect economic growth and avoid the unnecessary failure of projects to reach financial close due to grid connection risk. We would welcome further discussion on this topic.

Sincerely,

**Mark Baxter** (by email)

*Caledonia Project Director*

## Consultation Questions

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<sup>1</sup> [Growth Duty: Statutory Guidance – Refresh from May 2024](#)

**Q1. Do you agree with our assessment of the tCSNP2 and the risks that we have identified?**

We stand concerned that the infrastructure recommended in tCSNP1, and included within the ASTI framework, is not going to deliver the intended outcome of tCSNP1 of connection of 11GW of offshore wind capacity by 2030 in Scotland. This poses significant uncertainty and risk that goes unconsidered in the consultation. Some of the transmission infrastructure upgrades recommended in tCSNP2 are now required for delivery of offshore wind projects that were included in the original tCSNP1. Therefore, we consider that the tCSNP2 projects required to deliver the original tCSNP1 objectives should be brought into the ASTI framework with clear Output Delivery Incentives (ODIs). It is critical that risk management proposals do not unintentionally impact the delivery of the original tCSNP1 outcome. The outcomes expected from the delivery of the tCSNP1 and the ASTI Framework needs to be monitored and delivered as designed.

Caledonia agrees with Ofgem's view that the scenarios used in the tCSNP2 assumed little variation in the amount of offshore wind connecting to the network. Therefore, there is a risk that offshore wind materialises differently, resulting in different network needs. **Caledonia would like Ofgem to consider potential delays in the development of offshore wind projects due to ongoing network upgrade uncertainty to be an additional risk not yet identified.** We have been a long-term advocate of a more informed approach and realistic planning assumptions for the future generation and demand mix. While the tCSNP2-Refresh is proposed in the consultation as a potential mitigation to this risk, we consider that this would have unintended consequences. In the short-term, proposals need to provide an approach that can give offshore wind developers some certainty around network connection dates to ensure that project development continues without unnecessary delays. Waiting until 2026 for the tCSNP2-Refresh and revised network design and delivery dates risks delaying offshore wind development. Given the time it takes for offshore wind projects to progress through development and into delivery and construction, it will not be possible to recover from near-term delays while maintaining 2030 delivery timelines. Ongoing uncertainty in connection design and timescales will result in delays to the development of offshore wind projects, which then increases the risk of missing the Government's decarbonisation targets.

To address the risk that offshore wind materialises differently to the assumptions stated in the tCSNP2, we propose Ofgem reassesses how the tCNSP1 capacity is assigned and ensure that it is used by projects that can deliver in time to meet the Government's decarbonisation targets. Caledonia believes that the assumptions for the timescales for delivery of ScotWind projects should be reassessed and the network capacity available by 2030 is assigned to the projects that will be delivered in the timescales to use it. To ensure ample time and resources are available for this reassessment, we are minded to

suggest that Ofgem consider forgoing the reliance on the tCSNP2-Refresh in early 2026, and focus on publishing the CSNP more expeditiously. Industry should recognise the value of the tCSNP2 to deliver on its objectives without requiring a refresh, as this will minimise potential delays and uncertainty created by requiring the publication of an additional transitional plan. Instead, efforts should focus on delivering the CSNP on a faster timeline for a more efficient use of industry resources. Caledonia would be supportive of this approach as it reduces risk, maintains momentum to deliver projects, and eliminates duplication of work between the tCSNP2-Refresh and CSNP.

While we recognise that REMA and potential introduction of zonal pricing as a risk to system planning, another existential threat comes from the predicted cost trajectory of existing locational-based price signals – namely TNUoS charges and TLMs. Caledonia views this as a policy area in need of urgent review, reform and/or mitigation, as these costs are predicted to soar in coming years, eroding the profitability of new and existing offshore wind farm projects in Scotland to unsustainable levels, but this issue should not impact the delivery of tCSNP1 and tCSNP2 projects.

Additionally, we believe there is a significant threat to the Government’s decarbonisation targets that requires attention from Ofgem and the ESO that, if unaddressed, poses risk to the delivery of key projects. The extent of the network upgrades proposed in the tCSNP1 and tCSNP2 is resulting in significant enabling works for the generation projects required to meet the decarbonisation targets. The developers of these projects are exposed to significant risk as they are reliant on network connection dates with no recourse options should the date stated in their connection agreement be moved due to delay in the delivery of the enabling works. Critical nationally significant infrastructure projects, like offshore wind farms, need certainty on their connection date and a degree of commercial protection against late delivery given the exposure the developer is expected to carry from the point of signing a connection agreement. Unlike previous offshore wind development, this risk has increased exponentially due to the amount of enabling works required for each individual project.

## **Q2. Do you agree with our proposals for the “Development track”?**

Yes, Caledonia largely agrees with the “Development track” proposals. The development track price control deliverable (PCD) is set at achieving ESO maturity rating 3 by 30 June 2025. However, we would like to highlight the possibility of a regulatory funding gap between submission for the delivery track in June 2025, which could be achieved even earlier, and the introduction of a tCSNP2-Refresh in 2026—or, as we recommend, the publication of the CSNP on a faster timeline. Projects that would have reached delivery track level will not be able to access Pre-Construction Funding (PCF) until at least six months later. In addition, there is no information given around the circumstances if a

project reaches maturity level 3 significantly earlier than the June 2025 date. Caledonia urges Ofgem to consider these potential scenarios to ensure there are no avoidable delays that could impact the timely delivery of key projects.

As noted in our response to question 1 above, we believe that Ofgem and the ESO need to address the risk exposure placed on developers due to the number of projects from tCSNP1 and tCSNP2 that will be included in a developer's enabling works. Developers are exposed to significant risk as they are reliant on network connection dates with no recourse should the date move because of a delay in the delivery of the enabling works. We consider that Ofgem and the ESO need to develop connection products that include a level of commercial protection for the developer against late delivery of enabling works. The connection products and commercial protection developed may need to be reflected in the "Development track" methodology.

**Q3. Do you agree with our proposals for the "Delivery track"?**

Caledonia agrees with the "Delivery track" proposals and the approach to mirror the 2.5% PCF arrangement that has proved successful under the ASTI scheme. However, as with those projects that fall into the development track, there is uncertainty around the progression of these projects beyond the tCSNP2-Refresh date—or, as we recommend, the publication of the CSNP on a faster timeline. While there is reference to Output Delivery Incentives (ODIs) being set within RIIO-T3, it is unclear how the two funding streams will align and what this will mean for the projects.

As noted in our response to question 1 above, we believe that Ofgem and the ESO need to address the risk exposure placed on developers due to the number of projects from tCSNP1 and tCSNP2 that will be included in a developer's enabling works. Developers are exposed to significant risk as they are reliant on network connection dates with no recourse should the date move because of a delay in the delivery of the enabling works. We consider that Ofgem and the ESO need to develop connection products that include a level of commercial protection for the developer against late delivery of enabling works. The connection products and commercial protection developed may need to be reflected in the "Delivery track" methodology.

**Q4. Do you agree with our proposals for the "Small / Medium Sized Project Delivery track"?**

Yes, Caledonia agrees with the "Small/Medium Sized Project Delivery track" proposals.

**Q5. Do you agree with our categorisation of tCSNP2 projects?**

No, while Caledonia is largely supportive of how the tCSNP2 projects have been identified, we do not agree with how they are being treated. It is now clear that the infrastructure recommended in tCSNP1, and included within the ASTI framework, is not going to deliver the intended outcome of tCSNP1 of connection of 11GW of offshore wind capacity by 2030 in Scotland. Some of the transmission infrastructure upgrades recommended in tCSNP2 are now required for delivery of offshore wind projects that were included in the original tCSNP1. Therefore, we strongly believe that the tCSNP2 projects required to deliver the original tCSNP1 objectives would be better defined as additional schemes within the ASTI framework with LOs, ODIs and PCDs reflective of that objective.

Caledonia is aware, through discussions with the ESO and Scottish Hydro Electric Transmission (SHET), that PKUP is a critical project to mitigate the delay of the Eastern Green Link 3 (EGL3). As noted in the Beyond 2030 report, EGL3 was identified as network infrastructure that was required to be delivered by 2030 to deliver the tCSNP1 objectives. However, now “the current delivery date estimates sit beyond this.” If it is not possible to recover the delays on EGL3, then Caledonia believes that the PKUP project should be considered as an ASTI project and accelerated to mitigate the EGL3 delay and provide network capacity to transmit offshore wind generation from the north-east of Scotland southwards delivering on the objective of tCSNP1. On this basis, Caledonia believes that the PCD delivery date proposed for PKUP in table 10 of the consultation should be much earlier than the date proposed.

Caledonia welcomes Ofgem’s proposal that certain tCSNP2 projects should be delivered as part of the existing projects in the Transmission Owners’ (TOs) licences (as set out in table 12 of the consultation), in particular PPUP. We agree that the TOs should be able to apply for additional funding to reflect the changed project scope, but we are of the opinion that the TOs should be held to delivery dates already stated in their licences to ensure the timely delivery of the necessary network infrastructure. However, we do not think this goes far enough. We strongly believe that tCSNP2 projects, which are now required for the delivery of the tCSNP1 objectives, would be better defined as additional schemes within the ASTI framework, with ODIs and PCDs reflective of that objective. We think PKUP should fully qualify as an ASTI scheme.

**Q6. Do you agree with our proposed approach for the tCSNP2 asset classification projects?**

Yes, Caledonia supports the approach for the tCSNP2 asset classification projects.

**Q7. Do you agree with our approach to identifying a project for early competition?**

**Q8. Do you agree with our approach to identifying a first project for early competition?**

Caledonia is generally supportive of the approach to identifying early competition projects. However, we urge that attention is given to ensure competition does not result in delays in project advancement. Delays to the delivery of the critical projects considered under this consultation could significantly impact the timely delivery of system-wide targets. All efforts to minimise the chance of delays should be made.

**Q9. Do you agree with our expectations for the TOs and ESO?**

Yes, Caledonia is generally supportive of the expectations laid out for the TOs and ESO. However, we have some concerns around the planned successive releases of the tCSNP2-Refresh in early 2026 and the CSNP, which is also expected in 2026. These regulatory frameworks are time- and resource-intensive, cover overlapping remits, and could be difficult to deliver on time. Resources should be utilised efficiently and effectively to ensure there is no unnecessary duplication of work, and that future materials are delivered in a timely manner to minimise project delays and additional uncertainty. To this end, Caledonia would be supportive of forgoing the tCSNP2-Refresh, and instead focusing on delivering the CSNP on a faster timeline to minimise the risk that delays to one publication creates knock-on delays to following products. The value of the tCSNP2 should be recognised and allowed to stand on its own without requiring another transitional plan be developed. Rather, efforts should focus on publishing the CSNP more expeditiously.

While not explicitly included in the scope of this consultation, Caledonia strongly suggests that there should be additional requirements placed on the ESO and TOs to ensure timely delivery of the tCSNP1 and tCSNP2 projects that are enabling works for the generation projects required to meet the Government's decarbonisation targets. The extent of the network upgrades proposed in the tCSNP1 and tCSNP2 is resulting in significant enabling works for those generation projects. The developers of these projects are exposed to significant risk as they are reliant on network connection dates with no recourse should the date move because of a delay in the delivery of the enabling works stated in their connection agreement. Critical nationally significant infrastructure projects, like offshore wind farms, need certainty on their connection date and a degree of commercial protection against late delivery given the exposure the developer is expected to carry from the point of signing a connection agreement. Unlike previous offshore wind development, this risk has increased exponentially due to the amount of enabling works required for each individual project. We consider that Ofgem and the ESO need to develop connection products that include a level of commercial protection for

the developer against late delivery of enabling works, with appropriate obligations and incentives placed on the TOs to ensure timely delivery.

**Q10. Do you agree with our proposals to introduce a scope change governance process for onshore transmission projects?**

Yes, Caledonia is generally supportive of the scope change governance process for onshore transmission projects. However, we believe that the proposals should be expanded so that the process considers the impact of changes on offshore transmission projects (i.e. generator-build transmission assets), generators, and users. Affected generators and users should be consulted in this process to determine what impact, if any, the proposed change has on them. For example, if the TO proposes to change the location for a new substation that will be the Transmission Interface Point (TIP) for an offshore wind farm, the wind farm developer should be consulted and their views factored into the process. If the developer has already obtained planning consent, secured land and progressed design for its onshore substation and cable route based on the original TIP, then the TO's proposed changed in TIP location could have a significant detrimental impact on the delivery timescales for the offshore wind farm, potentially negating the perceived benefit of the TO's proposals. To this end, we suggest that the governance panel should include generators and offshore wind representatives to ensure cohesion across regulatory processes.