

10 South Colonnade,
Canary Wharf,
London,
E14 4PU

Boulevard de l'Empereur 20
1000 Bruxelles | Belgique
Keizerslaan 20
1000 Brussel | België

windgrid.com

Brussel, 2024-08-30

Proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network
Plan 2 projects
Submitted via email: RIIOElectricityTransmission@ofgem.gov.uk

Dear Jon Sharvill,

WindGrid welcomes the opportunity to respond and provide feedback to Ofgem's consultation on 'Proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects' issued 1st August 2024.

WindGrid is a subsidiary of international electricity transmission utility Elia Group, the fifth largest transmission utility in Europe. WindGrid develops, builds, owns, and operates offshore transmission infrastructure and leverages Elia Group's decades of experience in offshore transmission infrastructure gained through its subsidiaries Elia and 50Hertz, transmission system owners and operators in Belgium and Germany, respectively. Elia Group's experience covers HVAC and HVDC technologies with a total of circa 5GWs of offshore transmission infrastructure in operation, and circa 15GW of offshore transmission projects at various development stages across the North and Baltic Seas.

We have reviewed Ofgem's proposals for the regulatory framework for onshore transmission projects in the transitional Centralised Strategic Network Plan 2 ('Beyond 2030 report'). As a private transmission developer, we have focused our answers on **Section 6. Identifying suitable projects for early competition**.

The benefits of competition

WindGrid supports the work undertaken to date to identify projects suitable for early competition. Increased competition can greatly benefit the development of network infrastructure and help meet the Government's ambitious net zero targets. We strongly support Ofgem's Competitively Appointed Transmission Owner (CATO) process and believe that increased competition can accelerate timelines for transmission delivery, in line with the aims of the Government's Transmission Acceleration Action Plan (TAAP). The scale of the network buildout ahead represents a challenge for the existing pool of Transmission Owners (TOs) to deliver the number of upgrades required. The addition of private competition can support the work being carried out by the TOs, as well as accelerate delivery timelines by incentivising bidders to optimise project plans and streamline processes. Competitive pressure will also drive innovation and cost efficiencies that ultimately benefit consumers.

Early inclusion of HVDC projects for competition

We note that the initial prioritisation of projects for competition do not include HVDC projects, namely WCD4. The industry is seeing an increasing requirement for HVDC assets as we move towards a holistic, 'building ahead of need' approach to network buildout, as seen in National Grid ESO's recent Celtic Sea design. Companies like WindGrid can leverage their international experience of delivering HVDC projects which can complement the experience of the incumbent TOs.

A major source of delay for the construction of transmission assets is supply chain bottlenecks, particularly for HVDC equipment, which can take six to seven years to fulfill orders. We therefore see it as imperative that HVDC projects are prioritised in order to meet their timescales. Competition can put further downward pressure on supply chain timescales, as private entities such as WindGrid can leverage their strategic relationships with OEMs and portfolio to optimize the deliverability of the projects. For these reasons, we would encourage the inclusion of 'supply chain factors' and/or 'delivery timescales' in the ESO's prioritisation factors for onshore competition, in order to effectively capture the value of prioritising HVDC projects.

A roadmap to future competitive rounds

While the current consultation is a positive step for introducing competition in the transmission sector, WindGrid supports a long-term roadmap for future rounds of competition beyond the initial pilot project. Without the certainty of long-term commitment to delivering onshore competition, there is a risk of dampening industry participation in onshore competition. Developers would benefit from visibility of a long-term pipeline of competitive opportunities to justify the time and resource investment required to participate.

We acknowledge the benefits derived from running a pilot project first and taking learnings from that process. Nevertheless, some learnings may not be evident until much further along in the project development cycle. In order to deliver on Government targets to upgrade the network and, recognising the current lead times for constructing transmission projects, there will soon be a need for competitions to run in parallel. We therefore encourage Ofgem and the ESO to outline a multi-year roadmap for onshore competition to encourage long-term engagement from industry, in turn maximising the full benefits of competition. This could be delivered alongside the longer-term CSNP when it is established.

Importance of policy stability

The consultation suggests that these network plans could be refreshed as early as two years from now. Frequent changes to grid planning will undermine the ability of developers to make long-term strategic decisions and commitments. Incremental changes to the grid are not aligned with a holistic, long-term approach to transmission delivery. Stability in the rules and eligibility criteria is critical for a wide range of companies to participate in the competitive process. As we transition towards a regular CSNP, we recommend that Ofgem commit to maintaining the core elements of the CATO program for a suggested 5-10 year period to provide the necessary policy certainty.

In summary, we strongly support Ofgem's efforts to introduce competition into the development of transmission infrastructure. However, to fully realize the benefits, we urge Ofgem to provide a multi-year roadmap for future competitive rounds and commit to a stable policy framework over the long-term. We appreciate the opportunity to provide input and welcome the opportunity to input further to plans for onshore competition.

Yours sincerely,

Jack Counihan

Regulatory Affairs Manager

WindGrid