

Consultation on initial proposals for an OFTO Build Model to deliver non-radial offshore transmission assets.

Response from The Crown Estate

May 2024

1 The Crown Estate

1.1 Who we are

The Crown Estate is a purpose-driven and unique business with a diverse portfolio. We manage the seabed and around half the foreshore in England, Wales and Northern Ireland, playing a fundamental role in the sustainable development of these important national assets and using data and evidence to facilitate co-location and greater spatial coordination between activities.

Our ownership also includes a substantial rural portfolio, including the world-renowned Windsor Great Park. Alongside this, we operate some of central London's best places to work, shop and experience, as well as regional retail and leisure destinations across the country.

Established by an Act of Parliament, The Crown Estate works to create social, environmental and financial value, both now and for the future, for its customers, partners and the nation. We generate 100% of our net revenue profit for the benefit of the nation, contributing £3 billion to the public purse over the last ten years.

1.2 Our purpose

As a business, we actively deliver against our purpose, which is to create lasting and shared prosperity for the nation. We believe we are well placed to create financial, environmental and social value holistically today and for future generations, by drawing upon our unique attributes to address long-term trends and national needs. Combining our independence and scale of ownership with our ability to convene multiple stakeholders and take a long-term view with patient financial capital, we can play a significant role in creating and accelerating new opportunities – including for the growth of renewable energy. We drive our purposeful activity through three strategic objectives, to:

- Take a leading role in stewarding the UK's natural environment and biodiversity,
- Be a leader in supporting the UK towards a net zero carbon future, and
- Help create thriving communities and renew urban centres across the UK

2 Our response

The Crown Estate set out in its response to OFGEM's consultation on its revised 'minded to' position for the Pathways to 2030 regime (submitted in January 2023) that we supported the introduction of a 'late competition' OFTO Build model for non-radial assets given that it could accelerate the delivery of offshore wind if it allowed for offshore transmission infrastructure to

be designed and delivered alongside the generation infrastructure without the need for a subsequent asset transfer process between generator and incoming OFTO. We also suggested that the development of an 'early competition' OFTO Build model for non-radial assets should be considered in the longer term to further accelerate delivery, noting that such a model could allow detailed network design work to progress as soon as possible after the holistic design (now expected under the CSNP) is established.

As such, we welcome the further development of the OFTO build model as a viable option for the delivery of offshore transmission assets. In particular, we are supportive of the ambition to explore accelerated processes which can deliver non-radial assets in the offshore space.

The seabed that The Crown Estate owns and manages is increasingly being utilised for energy infrastructure, as such we take a keen interest in the location, timing and delivery of non-radial OFTOs. As this marine space becomes increasingly congested, there is a pressing need for longer-term forward spatial planning across all sectors and nature to make best use of the marine space and deliver on policy goals. This is why we are developing a cross-sectoral 'whole of seabed' evidence base and spatial modelling capability to assess how we best manage growing demands on the seabed. We are using this, with partners, to develop a Marine Delivery Routemap which works across all marine sectors, and which aligns with and supports the Strategic Spatial Energy Plan (SSEP) for energy as recommended in the Electricity Network Commissioner's report in 2023^{1,2}. It is also being used as evidence for marine policy programmes such as Defra's Marine Spatial Prioritisation programme and to inform the assessment of Strategic Resource Areas in Wales. As such, we ask that OFGEM explicitly factors in issues such as marine planning and electricity market design when constructing and assessing the packages of options for future grid infrastructure delivery to ensure coherence in the overall energy policy framework.

We note that the bulk of the consultations questions are clearly aimed at asset owners, and as such we have not provided a response to individual questions. Nonetheless, there are a few key points we would like to raise at this stage which may need to be considered as the policy design for OFTO models evolve.

- Interaction between late-competition model process and seabed leasing:
To date, leasing for offshore transmission infrastructure has been in line with the "Generator Build" model, with the OFTO lease agreements granted to the offshore wind developer in the first instance, for onward transfer to the incoming OFTO as part of the sale and transfer process managed by OFGEM through the OFTO tender process. This means that securities and other milestones in the Agreement for Lease and the Lease are written from the perspective of the same entity designing and constructing both the windfarm and OFTO system.

In greater detail: under the generator build model, we take a security from the wind farm developer, we do not take a form of security from the licensed OFTO. We would have to

¹ [Electricity-Networks-Commissioner-Companion-Report-by-ESC.pdf \(esc-production-2021.s3.eu-west-2.amazonaws.com\)](#)

² [Electricity-Networks-Commissioner-report-to-SoS.pdf \(esc-production-2021.s3.eu-west-2.amazonaws.com\)](#)

reconsider our risk exposure and if a security should be taken in an OFTO build model. For a normal OFTO build, or late-competition OFTO build model, we would also have to evaluate the milestones we set in our Agreement for Leases for example the time frame they must enter lease by and also for our leases, the milestones for construction activities to commence and for when all works should be completed.

An Agreement for Lease is a pre-agreement that we grant to the wind farm developer ahead of them stepping through to lease. The Agreement for Lease allows the developer to carry out relevant surveying activity to define their cable corridor route – this is another area we would have to review to ensure that our leasing process remains compatible with an OFTO build models where we could see a scenario that the OFTO could be carrying out the works to determine the cable route and be the tenant under the Agreement for Lease stage.

We welcome a discussion with OFGEM following the proposals in this consultation to ensure The Crown Estate's leasing process and the OFTO build models, including the late-competition models, are compatible, clear to asset owners, and do not create delays to the objective of accelerating delivery of non-radial assets.

- Ensure cost for full-removal is retained in the tender revenue stream (TRS):
The 2019 BEIS Decommissioning Guidance for offshore renewable energy installations recognises that "*any infrastructure placed in the marine environment should be designed with full removal in mind, and full removal will be the default position for OREIs unless there are strong reasons for any exception.*"³ We expect customers to design, build and operate assets with full removal as a default assumption. Importantly, for OFTOs this removal cost is considered as part of the TRS. The consultation does recognise that a late-competition process may introduce risk and cost uncertainty to the TRS but doesn't clarify the mechanisms by which such costs can be recovered. We would expect OFGEM to ensure that any unforeseen costs from late-competition OFTO build models which impact on the TRS do not:
 - Erode any decommissioning funds or reduce decommissioning fund accrual profiles
 - Result in a detrimental effect on asset management practices (such as proactive maintenance and repair works) which would result in premature decommissioning of assets
 - Ultimately result in partial decommissioning exemptions applications to DESNZ where assets should be fully removed if appropriately costed and managed within the TRS.
- Explore how OFTO-build models will evolve past the delivery of the Holistic Network Design and Follow-up Exercise (HND and HNDFUE):
The consultation focusses on the delivery of assets in the HND & HNDFUE. We do know that demand for offshore wind and transmission is likely to continue to increase beyond those projects in the HND & HNDFUE. Additionally, there are several ongoing spatial and energy planning processes which may increase the need for more fast-moving approach to offshore

³ BEIS, 2019. [Decommissioning of offshore renewable energy installations under the Energy Act 2004: guidance notes for industry \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/811113/Decommissioning_of_offshore_renewable_energy_installations_under_the_Energy_Act_2004_guidance_notes_for_industry.pdf)

electricity transmission regulation. To ensure TCE can provide timely, investable, and competitive leases, we would welcome a discussion with OFGEM to understand how OFTO models may interact with and evolve in the context of:

1. Accelerated consenting timelines (e.g. as a result of NSIP reform or upfront surveys as part of leasing offers)
2. The delivery of up to 123GW installed offshore wind generation capacity across GB by 2050 (as determined by the System Transformation Pathway in FES 2023)⁴
3. The Centralised Strategic Network Plan (CSNP) and the Strategic Spatial Energy Plan (SSEP)
4. More complex coordinated offshore grids (domestically & internationally)

2.1 Responses to specific questions

Question 2: At what point should the OFTO tender process commence? Does option 1 or option 2 present the best approach?

As highlighted in the summary statement, we would like to discuss how the models and timelines presented could be delivered within TCEs expected leasing process. Of the options presented, Option 2 may present a more compressed timeline which will need careful consideration.

Concluding remarks

We trust that you will find our comments on the consultation constructive. We would be willing to engage further and provide additional information on any of the points we have raised.

All of this response may be put into the public domain and there is no part of it that should be treated as confidential.

Yours Sincerely,



Chris Gent,
Energy Policy Manager

⁴ National Grid ESO, 2023. Future Energy Scenarios (FES). Available at: [download \(nationalgrideso.com\)](https://www.nationalgrideso.com)