

## OTNR Summer Webinar – Q&A Response

### Introduction

On 22<sup>nd</sup> July 2021 BEIS chaired the OTNR Summer Webinar, with our partners at Ofgem, National Grid ESO and MHCLG, to update interested stakeholders on the progress of the Review. During the event, participants submitted questions and comments using the Q&A function provided. We have collated the questions received and responded below. Due to the large volume of questions received, it is not possible for us to answer each question individually. The webinar recording is available on our webpage, which includes the live Q&A.

### **Q: Why can't we create a coordinated solution irrespective of targets such as 40 GW by 2030?**

We are not waiting until 2030 to implement new processes. The OTNR has established new processes for designing the connection of all wind farms coming through seabed leasing rounds from this year onwards. However, given the long lead times for connecting offshore wind, some of these projects may not connect until 2030. In parallel, as part of the Early Opportunities workstream, we are seeking to facilitate projects which are relatively far advanced in their development process to opt-in to more coordinated connections. As these projects already have existing agreements in place, implementing new processes which mandate changes risks causing major commercial impacts and delays. This could also put at risk the UK achieving both its renewable targets and legally binding net zero commitment.

### **Q: What are the proposed pathfinders, and how can communities promote other opportunities they have identified?**

A: Due to the confidential nature of each proposal, we unfortunately cannot comment on specific details. However, we would refer you to the Ofgem consultation on Early Opportunities which provides details on each of the Pathfinder concepts under consideration. These concepts were developed and informed by our conversations with developers, so they provide a good indication of the types of changes that are being proposed.

Where you wish to promote a particular Pathfinder proposal, we would recommend speaking to the developers concerned and using the routes and resources available to you, such as writing to your local MP and responding to consultations.

### **Q: What happened to coordinating more by 2025, as proposed by ESO?**

A: We remain committed to facilitating coordination from the mid-2020s. When the ESO presented this work, they explained that it was a conceptual approach, and did not take into account whether it was deliverable and demonstrated the challenges of delivering such a level of coordination so soon. The Review is seeking to tap into the estimated £3bn of consumer benefits of delivering greater coordination before 2030 through the Early Opportunities workstream.

**Q: Within the current competitive system, how will developers be incentivised to coordinate?**

A: We are exploring several options to incentivise developers to opt-in to the Pathfinder process.

In Early Opportunities, there is no one way to coordinate, and we are considering various concepts to enable greater coordination as part of our consultation. However, our ask of developers is that they consider coordinating with nearby projects that are based in the same region and ensure their proposals are coherent with others nearby. We are talking to developers about how ambitious they can be and the challenges they face which prevent further coordination. More importantly, we will also explore potential solutions to overcome these challenges.

We believe there are natural incentives to take advantage of coordination as it will reduce the risk of projects being delayed at the planning stage through the consideration of the cumulative environmental and local impact at the plan rather than project level, and will thus accelerate grid connection dates. We also believe that more efficient and lower cost grid connections will make those developers more competitive in Contracts for Difference (CfD) auctions and will drive more economic outcomes for consumers.

**Q: Is the Review considering the interplay between onshore/offshore infrastructure?**

A: Yes. We have started work with Ofgem, the Electricity System Operator and Onshore Transmission Owners on developing a plan-led approach to connecting offshore wind and delivering the associated onshore infrastructure under the medium-term workstream (Pathway to 2030). This new approach seeks to bring together onshore and offshore network planning in a more holistic way.

Our proposals for a more holistic approach to network design would ensure that we are able to deliver a more efficient electricity system that not only accommodates offshore renewables, but also takes better account of the requirements on the onshore network. In developing potential approaches for an enduring regime (which will be outlined in an upcoming late summer consultation), we recognise that the introduction of onshore competition provides an opportunity to rethink the current regime's distinction between onshore and offshore and move towards a more integrated approach. There is a [consultation considering onshore competition](#) published on 3 August 2021.

**Q: Will the Review consider other types of flexibility as well as interconnection, such as storage opportunities?**

A: A smart and flexible energy system is essential for integrating high volumes of low carbon power, heat, and transport.

Flexibility from technologies such as energy storage, smart charging of electric vehicles, flexible heating systems and interconnection could save up to £10 billion per year by 2050 by reducing the amount of generation and network needed to

decarbonise and create 24,000 jobs. Increased flexibility could reduce system costs between £30-70bn from 2020 to 2050.

The UK is supportive of increased flexibility, including both interconnection and storage, as a key component of a net zero energy system – the recent Smart Systems and Flexibility Plan illustrated the benefits of a more flexible system (up to £10bn per year in 2050), and detailed how barriers to storage and interconnection will be removed to facilitate their increased deployment.

The analysis of cost-effectiveness of storage opportunities versus interconnection is not within the direct scope of the Review, however, in considering potential new approaches for an enduring regime we will look into their ability to incorporate the deployment of alternative technologies, such as energy storage.

**Q: How will future interconnection possibilities be incentivised?**

A: Our proposals for a more holistic approach to network design intend that such designs will take into account factors including the level and location of interconnectors.

In August 2020, Ofgem launched a review of its regulatory policy and approach to new electricity interconnectors. The objectives of the review are to establish whether there is a need for further GB interconnection capacity beyond those projects currently with regulatory approval and to consider Ofgem’s approach to the regulation of future GB interconnection. Consultations on the four workstreams were held over the Summer, and Ofgem is now considering the responses received.

BEIS and Ofgem are working closely to ensure the interconnector policy review and the offshore transmission network review are coordinated with one another.

**Q: How can future greater power flows be accommodated by MPIs which are limited by the SQSS requirements?**

A: The review is considering codes and standards, including the SQSS. We recognise that codes and standards are likely to need to change to accommodate new models for offshore coordination. This includes MPIs. MPIs offer increased connection flexibility. For example, a single point-to-point connection for a 2000MW of offshore wind could instead be incorporated into an MPI connecting to two markets by two cable routes each of 1000MW of transmission capacity.

**Q: How is the Review engaging with international rules and future plans?**

A: International engagement is a key part of the MPI workstream – the Trade and Cooperation Agreement provides a foundation for engagement between the UK and EU, with specific provision for cooperation on “hybrid and joint projects”. Furthermore, considerations and potential changes regarding legislation, regulation and codes in the UK are appropriately considering compatibility with their analogues in potential connecting countries.

As part of the MPI workstream, BEIS is engaging with our European partners so as to facilitate mutually beneficial MPI projects, and to overcome barriers that may be presented to these.

**Q: How is the Review considering environmental impacts?**

A: The OTNR has an overall objective to seek to find an appropriate balance between environmental, social and economic costs. At the same time environmental consenting issues are very significant in the current consenting process. This means that ways to reduce environmental impact and consenting risk through consideration at the earliest stage of projects is a key part of the OTNR's work.

Under the Early Opportunities workstream, developers are being encouraged to give greater and earlier consideration to these impacts. Under the Pathways to 2030 workstream, environmental constraints and impacts will be considered early and as an integral part of the holistic network design process. This has not previously been the case with for example the annual Network Options Assessment process. For the Enduring Regime workstream, environmental constraints and impacts are also forming an early and integral part of the planning of the future regime. The recommendations of members of the Expert Advisory Group are being considered as part of the policy work for the Enduring Regime workstream.

**Q: Least Worst Regret Cost Benefit Analysis does not include environmental and community benefits/costs. How and who is quantifying the costs/benefits of coordination to the environment and to the public?**

A: The final Phase 1 report<sup>1</sup> for National Grid ESO's Offshore Coordination Project found that a more integrated approach to offshore transmission, which included efficient planning of the onshore network, could deliver consumer benefits of up to £6bn by 2050, depending on how quickly it could be implemented. It also found that the number of new electricity infrastructure assets, including cables and onshore landing points could be reduced by up to 50% over the same period, significantly reducing environmental impacts and impacts on coastal communities.

In the development of the Holistic Network Design under the medium-term workstream (Pathway to 2030) potential impacts of offshore transmission on the environment and on communities are taken into account along with cost and the deliverability of the transmission. These are set out in the Terms of Reference for the Holistic Network Design, which is being led by the ESO.

**Q: Why is there no community representation on the Expert Advisory Group (EAG)?**

A: The EAG is made up of experts who are able represent their field, who were selected through an open process. The EAG is not set up to be an appropriate channel for communities to share their views. It generally has a strong policy and technical focus. Also, one representative would not be able to represent the wide variety of views, and locations, of community stakeholders. However, consumers are represented on the EAG by Citizens Advice, and the EAG occasionally invites non-members to present, including officials from Norfolk and Suffolk County Councils. We are also engaging with communities through different means – through

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<sup>1</sup> <https://www.nationalgrideso.com/document/183031/download>

roundtables with their elected representatives, discussions with local councils, and meetings with local community group leaders.

**Q: Why isn't the project/developers considering an 'offshore ring main' solution?**

A: Through the Review we are removing the distinction and artificial boundaries between onshore and offshore networks. We are aiming to produce a single process to be designed and delivered in a coordinated way. Many stakeholders have called for an 'offshore ring main', however from our discussions there is no single definition of what this proposal would actually mean and it fails to recognise the need for offshore transmission infrastructure to ultimately come onshore to take power to where it is needed. Instead the Review is seeking to enable a fully integrated onshore and offshore transmission network, to deliver the coordination we need to get to full power sector decarbonisation by 2035 and Net Zero beyond yet while ensuring the environmental and local impact are kept to a minimum.

**Q: How is the Review engaging with other areas of policy/regulation?**

A: The OTNR is closely related to multiple other policy and regulation areas, including the [Future System Operator](#) and the [Interconnector Policy Review](#). Each of the teams responsible for developing these areas of policy and regulation work routinely with the OTNR to ensure a joined-up approach to reforms.

**Q: Why are there lots of simultaneous consultations?**

A: The energy system is going through a large transformation to enable us to meet our Net Zero targets. While we are doing what we can to coordinate, the volume of consultations is reflective of the significant work going in within Government to decarbonise our power sector and deliver Net Zero.

All OTNR partners are coordinating and consulting each other on their work. Interactions between consultations are highlighted and flagged in each piece. Sometimes it is necessary for multiple consultations to be published at the same time, so that we can understand and utilise stakeholder views as soon as possible. As different bodies have different legal responsibilities, it is not possible for them all to be produced by one body. We will publish an updated project delivery plan on our website soon, to give greater clarity.

**Q: What is the role of the ESO?**

A: The ESO has a central role in our current energy system as well as in the UK's transition to a decarbonised, decentralised and digitalised energy system. Ofgem regulates the ESO to help ensure the actions it takes align with the interests of consumers. The ESO's regulatory and incentives framework aims to place wider system and consumer interests at the heart of its decision-making, create transparency around the ESO's performance and make the ESO more clearly accountable to its stakeholders.

The regulatory framework for the ESO is designed to ensure that the ESO plays its part in delivering a reliable and resilient zero carbon energy system at the lowest

cost to consumers. The framework comprises the ESO's licence, the ESO price control (including the financial incentives scheme) and regular performance monitoring and reporting requirements.

There is a separate piece of work taking place on the future of the system operator – BEIS recently launched a consultation on this question which considers a range of options for its future.

Ofgem

**Q. What do you expect to achieve from the six concepts outlined in the consultation?**

A. We have engaged with a number of developers on possible coordination for inflight projects and a number of proposals have come forward. As a result of this engagement, we have identified six concepts into which projects can be categorised. Our discussions with developers have helped set out some of the barriers faced by industry in progressing these concepts and we have proposed ways to overcome them in our consultation document. The concepts included in our consultation are not listed in any order of priority or preference. The inclusion of a concept in the consultation document is not intended to indicate our view on the potential benefits of a given scheme. The developer of a project would still need to demonstrate the benefits on a case-by-case basis.

**Q. Are the six concepts purely methods of achieving greater coordination, or do they also work to expedite greater transmission of offshore generated electricity?**

A. Each concept provides a different blend of potential benefits. Some emphasise minimising the amount of new infrastructure required or reduce the number of landing points i.e., where infrastructure makes landfall. Other concepts emphasise the provision of wider system benefits e.g., reducing the need for onshore reinforcement. There may be additional benefits to those highlighted - including speed of deployment of offshore wind, such as where more coordinated network solutions might expedite planning or permitting. Speed of deployment is discussed further as one of the OTNR Policy Assessment Criteria.

**Q. Do these plans incorporate the development of floating windfarms?**

A. Our consultation proposals were not informed by discussions with developers of floating wind farms. However, the concepts are designed to be technology-neutral wherever possible. We would expect any development in line with the concepts highlighted to meet the OTNR Policy Assessment Criteria (including technology readiness) as set out in our consultation.

ESO

**Q. How will future uncertainty be considered in the holistic network design?**

A. We acknowledge there will be uncertainty in relation to future projects. The Holistic Network Design will address some of this uncertainty through carrying out sensitivity analysis where relevant. There is further uncertainty the Holistic Network Design process is considering, such as in relation to the unknown outcome of the ScotWind process. As such, once the outcome of the ScotWind process is known a further review on elements of the Holistic Network Design could be required in future, depending on how the outcome relates to the scenarios modelled for Scotland.

**Q. Will the ESO design holistic options for transmission based on the generation map? How would the benefit be apportioned in respect to bids?**

A. The Holistic Network Design process is considering the preferred network design for projects in scope, and it is not considering potential wider impacts as a result of a more co-ordinated network design, so any potential interactions between a more co-ordinated network design and other factors, such as CfDs or network charging, will require separate consideration.