



14 April 2022

## Offshore Transmission Network Review: update on Early Opportunities

Since its launch in July 2020, the Offshore Transmission Network Review (OTNR) has worked with a wide range of project partners and stakeholders to develop the enabling changes needed that will be integral to this fundamental change to the UK's energy system.

We thank stakeholders for their responses to Ofgem's consultation published in July 2021 in which respondents identified further policy changes that may be required to facilitate coordination of offshore transmission infrastructure between projects. BEIS has been considering the best way to address these gaps and this publication seeks to provide an update on the status of this work.

The focus of this letter is on policy where the responsibility and opportunity for change lies within BEIS and therefore includes **Contracts for Difference (CfD)** and the **Generator Commissioning Clause (GCC)**. BEIS directs stakeholders towards Ofgem's publication for an update on their decisions regarding related regulatory changes.

### 1) Contracts for Difference

We would firstly like to direct interested parties towards the Secretary of State's announcement in February 2022 on the frequency of CfD auctions. Auctions will be held annually, beginning with Allocation Round 5 (AR5) in March 2023<sup>1</sup>. This move highlights the government's commitment to accelerate the rollout of low-cost renewable energy to help meet our ambition of 50GW of offshore wind by 2030.

The CfD was introduced with the existing regulatory framework in mind which supports radial connections and therefore changes may be necessary to enable coordination and ensure benefits can flow through to consumers. BEIS has therefore been seeking to identify the key issues and assess the changes that may be required to facilitate coordination, with the intention to make any appropriate enabling changes in time for AR6.

An issue expressed by respondents to Ofgem's previous consultation is the increased commercial risk for coordinated projects where one or more fails to obtain a CfD. Respondents have suggested means of amending the allocation process to reduce this risk. We are considering the case for these changes, among other facilitatory measures to ensure CfDs are not a barrier to coordination.

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<sup>1</sup> Announcement on annual auction frequency <https://www.gov.uk/government/news/government-hits-accelerator-on-low-cost-renewable-power>

In parallel, we are assessing the changes needed to CfDs to enable multi-purpose interconnectors (MPIs) to coordinate with offshore wind farms. These were outlined in Ofgem's previous consultation as well as BEIS's consultation on the Enduring Regime. We would look to consult on potential changes to the CfD standard terms and conditions to enable MPI development in due course. We are also considering wider complexities including subsidy control and protecting the interests of consumers.

## **2) Generator Commissioning Clause**

This clause in the Electricity Act allows developers to own and operate offshore transmission infrastructure for up to 18 months after commissioning, without the need for a transmission licence.

This was raised as an issue for coordinated projects delivering in multiple stages where the commissioning of subsequent projects occurs beyond the 18 months allowed by the clause, creating uncertainty about assets and any potential sale to an Offshore Transmission Owner (OFTO). BEIS is exploring options to address this problem for Early Opportunities projects, with a mechanism to provide developers with confidence about the legal standing of their assets. We are also considering potential changes to this clause that may be required for future projects.

BEIS will continue exploring and reviewing potential changes to both policies with relevant stakeholders and will publish an update in due course. If you have any questions about this letter, or if you wish to discuss the detail of these policies, please contact [Offshore.Coordination@beis.gov.uk](mailto:Offshore.Coordination@beis.gov.uk).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'C. Fox'.

**Chris Fox**  
**Deputy Director**  
**Europe and Offshore Electricity Networks, BEIS**