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OTNR UPDATE

*REGULAR UPDATE NEWSLETTER FOR THE OFFSHORE
TRANSMISSION NETWORK REVIEW PROJECT*

INTRODUCTION

Following rising global energy prices and volatility in international markets, the UK Government set out bold new commitments in the British Energy Security Strategy (BESS) to accelerate the deployment of clean energy. It is critical that the network is ready to deliver this ambition, and the Offshore Transmission Network Review (OTNR) is a key component to enabling the rollout of the Government's ambition for 50GW of offshore wind by 2030. A full version of the BESS is available [here](#).

Since launching the OTNR, BEIS and its delivery partners have delivered a series of reviews, consultations, and engagements on draft policy and regulatory changes. Since January, we've delivered a tranche of decisions and consultations.

This is a critical year for the OTNR as we move from 'reviewing' to 'reforming' how offshore wind connections are planned and delivered and begin implementing the regulatory, legislative and policy changes necessary to achieve 2030 ambitions.

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In this newsletter, we have set out the progress to date in 2022 and provide a forward look to OTNR milestones and delivery expected this year.

OTNR delivery in first half of 2022

Early Opportunities

- **Ofgem Consultation on Minded-to Decision** on enabling changes to facilitate anticipatory investment for early opportunity projects.
- £100m HMG funding announced to support the delivery of an increasingly coordinated transmission network for projects in scope of the early opportunities workstream.
- **BEIS Policy Update** on changes required to facilitate coordination of offshore transmission infrastructure. This included Contracts for Difference (CfD) and the Generator Commissioning Clause (GCC).
- Announcement that projects will progress as 'Pathfinders' under the OTNR.
- Announcement of 5 projects in East Anglia confirming their commitment to exploring coordinated network designs and identify a future Pathfinder project.

Pathway to 2030

- **Holistic Network Design published.**
- **Ofgem Minded-to Decision** to apply a 'very late competition - generator build' model to non-radial offshore transmission and **consultation** on the consequential arrangements that may be required to implement this model.

Multi-Purpose Interconnectors

- **BEIS Consultation Response and Decision** to strengthen legal and regulatory clarity over the licensing of future MPIs.
- **Minded-to decision and consultation** on how MPIs can be facilitated in the near term within the current legal framework.
- **Introduction of a new licensable activity** for multi-purpose interconnectors in the Energy Security Bill, introduced to Parliament on 6 July 2022.

British Energy Security Strategy

In light of rising global energy prices, provoked by surging demand after the pandemic as well as Russia's invasion of Ukraine, on 7 April the UK Government published the [British Energy Security Strategy](#). This strategy sets out how the UK will develop its domestic energy generation, increasing our ambition for offshore wind to up to 50GW by 2030, including up to 5GW from floating offshore wind.

Accelerating our domestic supply of clean and affordable electricity also requires accelerating the connecting network infrastructure to support it. To achieve this, the strategy sets out measures to reduce timelines for delivering strategic onshore transmission network infrastructure by

Measures within the British Energy Security Strategy to accelerate the delivery of the transmission network

Establish an independent **Future Systems Operator** to provide strategic planning across electricity and gas networks

Publish a **Holistic Network Design (HND)** which will bring together onshore and offshore network planning in a single blueprint

Use Ofgem's planned **Centralised Strategic Network Plan**, which will build on the HND, to provide a blueprint for the whole electricity network to identify strategic infrastructure to facilitate renewables deployment and meet increasing demand

Update the **National Policy Statements to recognise the work of the HND (and later the CSNP)** in the planning system

Ofgem will **expedite its regulatory approvals process** to ensure that networks are built in anticipation of major new sources of generation and demand in line with the HND. Government will set out the importance of strategic network investment in its forthcoming **Strategy and Policy Statement for Ofgem**.

Exempt strategically significant infrastructure projects from the introduction of onshore network competition where the costs of any delays are likely to outweigh the benefits of competing

around three years. Overall, the ambition is to halve the time it takes to follow the full end-to-end process for delivering the transmission network by the mid-2020s.

Launch an **Offshore Coordination Support Scheme** which will de-risk delivery of well-advanced offshore wind projects to capitalise on opportunities to coordinate their network infrastructure

Work with communities and industry ahead of a government consultation on **community benefit options** to ensure that local communities can participate in and benefit from development of onshore network and renewables infrastructure in their area

Implement a new **Offshore Wind Environmental Improvement Package** including an industry-funded Marine Recovery Fund and nature-based design standards to accelerate deployment whilst enhancing the marine environment

Introduce **strategic compensation environmental measures** including for projects already in the system to offset environmental effects and reduce delays to projects

Work with the **Offshore Wind Acceleration Task Force**; a group of industry experts brought together to work with government, Ofgem and National Grid on further cutting the timeline

Establish a **fast-track consenting route** for priority cases where quality standards are met, by amending Planning Act 2008 so that the relevant Secretary of State can set shorter examination timescales

Reduce planning consent timelines from up to four years down to one year for all transmission infrastructure supporting offshore wind, both offshore and onshore

Appoint a Networks and Offshore Wind Champions to help accelerate the deployment of transmission infrastructure and implement BESS commitments

What does the BESS mean for the OTNR?

Delivering our ambition for 50GW of secure, home-grown offshore wind by 2030 will inevitably require more network infrastructure, both onshore and offshore, than today. But, with the new and innovative approach introduced by the OTNR, the HND will ensure that new network infrastructure is minimised and where it cannot be avoided it is brought forward in the most appropriate place. The BESS then supports the accelerated delivery of infrastructure that cannot be avoided through a number of measures.

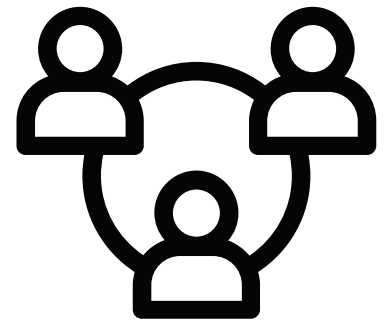
Referring to the HND within the National Policy Statements (NPS) will give stronger weight to the HND within the planning process, recognising some of the upfront environmental assessment done as part of the HND process. The HND and accompanying

NOA Refresh has helped to identify strategic network infrastructure necessary to deliver our 50GW ambition.

On 8 August Ofgem published its proposals for accelerating delivery of strategic onshore electricity transmission network upgrades that are over the value of £100m. In this consultation Ofgem set out proposals for adjusting the regulatory review process for these projects, including whether such projects will be subject to expedited regulatory approvals, and whether certain projects should be exempt from the introduction of onshore network competition (where the costs of any delays are likely to outweigh the benefits of competing). The identified network infrastructure will also be in scope of measures to reduce consenting timelines.

What does the BESS mean for local communities?

We recognise the vital role that communities hosting network infrastructure are playing in ensuring cheaper, cleaner and self-sufficient energy supply. As announced in the BESS, we will review community benefit options this year to ensure that local communities can participate in and benefit from development of strategic onshore network infrastructure in their area.



Early opportunities

The Early Opportunities workstream focuses on coordinating well-advanced projects that have firm connection agreements but do not have planning consent and a Contract for Difference (CfD) (or equivalent). We have encouraged projects that sit within the Early Opportunities scope to voluntarily engage with the OTNR to develop more coordinated connections. To incentivise this, BEIS, National Grid ESO and Ofgem are progressing the enabling policy and regulatory changes to facilitate coordination. We have also been utilising

changes in the NPS that place new obligations on projects to consider coordination. Lastly, we are continuing to explore the use of funding through an Offshore Coordination Support Scheme, announced in the BESS.

Ofgem Early Opportunities Consultation

Ofgem published a [consultation](#) outlining their minded-to decision on changes to its anticipatory investment policy and how it intends to provide the regulatory framework to support the delivery of a more coordinated network in the Early Opportunities workstream.

In this publication, Ofgem set out its minded-to decision on allowing developers to recover the costs associated with investments made on behalf of a later project via the transfer value paid by the OFTO at the point of asset transfer, with revisions to charging methodology to incentivise increased coordination. These proposals means that consumers will underwrite the costs associated with anticipatory investment until such time as the later user connects and represent a change in approach that addresses many developer concerns which have inhibited coordination to date.

The publication also set out proposals around a new coordination assessment processes and adjustments to user commitment. The minded-to publication was published alongside a draft impact assessment setting out the likely impact of the proposed changes. The consultation closed on 9 June 2022. A further publication on Early Opportunities is expected to be published by Ofgem in autumn 2022.

Pathfinders Announcement

To drive forward coordination in the shortest timeframes and to work towards achieving the UK's ambition for 50GW of offshore wind by 2030, we are encouraging projects within the Early Opportunities workstream to opt-in to increased coordination on a voluntary basis. This will be supported by changes to Ofgem's policy on the recovery of costs associated with Anticipatory Investment which will unlock the potential for increased coordination. We are also encouraging projects to apply to become 'Pathfinder Projects' which will provide vital lessons learned for increasing coordination in the sector for years to come. Outlined below is the progress made over the past four months within the Early Opportunities workstream.



On July 7th, the UK Energy, Clean Growth and Climate Change Minister, Greg Hands confirmed that four projects will progress as 'Pathfinders' under the OTNR. These four proposals are:

1. Equinor's proposal for shared transmission infrastructure between the Sheringham Shoal and Dudgeon extensions projects in East Anglia.
2. Orsted's proposal for Gigastack, a hydrogen electrolyser utilising power from the existing Hornsea 2 offshore wind farm in Yorkshire.
3. Orsted's proposal for Boudicca, to co-locate a 200MW onshore battery to the grid connection of Hornsea 3 offshore wind farm in East Anglia.
4. SSEN / HVDC Centre's proposal for Project Aquila, an interoperability solution for the Eastern Green Link HVDC, enabling multi-vendor, multi terminal operation opportunity across future connections into Peterhead.

This announcement demonstrates the commitment from BEIS and its other OTNR partners to ongoing collaboration with the aim of addressing detailed policy and regulatory barriers to deliver benefits to consumers, the environment, and the community.



East Anglia Early Opportunities

In addition to the first tranche of Pathfinder announcements, five projects in East Anglia (National Grid Electricity Transmission (Sea Link), National Grid Ventures (EuroLink and Nautilus), North Falls and Five Estuaries), have confirmed their commitment to exploring coordinated network designs and identifying future Pathfinder projects. Renewables UK are facilitating this programme, which is being delivered in three phases:

- Phase 1 - Agree success criteria and generate options for coordination
- Phase 2 - Assess options against barriers to coordination
- Phase 3 - Agree preferred options and address barriers to coordination

East Anglia Early Opportunities - Stakeholder engagement

To ensure the views of communities and environmental stakeholders are fed into this process, the OTNR has facilitated a series of 'teach in' sessions with stakeholders representing environmental and community views. This included county councils, district councils and community representatives from across East Anglia, Department for Environment, Food and Rural Affairs and Natural England in March. This has given developers the opportunity to hear first-hand what success would look like for the pathfinder projects and will be considered as part of the RUK facilitated process.



Offshore Coordination Support Scheme

As announced within the BESS, the UK Government is committing up to £100m to support the delivery of an increasingly coordinated transmission network for projects in scope of the early opportunities workstream. More details on the scheme will be made available in due course.

BEIS Policy Update

Alongside the publication of Ofgem's Early Opportunities consultation, BEIS has published an update on policy changes required to facilitate coordination under the early opportunities workstream. This focuses on policy that BEIS has responsibility for and therefore includes Contracts for Difference (CfD) and the Generator Commissioning Clause (GCC). The publication can be found [here](#).



Pathway to 2030

On 7 July 2022 the ESO published the [Pathway to 2030: Holistic Network Design \(HND\)](#).

The purpose of the HND is to provide a recommended onshore and offshore design for a 2030 network that can facilitate the UK Government ambition for 50 GW of offshore wind in Great Britain by 2030, delivery of the BESS commitments is also required to facilitate this ambition. In line with the Terms of Reference (ToR), the HND connects 23 GW of offshore wind, which combined with the existing and planned offshore wind projects that are out of scope of the HND, facilitates up to 50 GW by 2030.

The HND aims to provide an economic, efficient, operable, sustainable, and coordinated National Electricity Transmission System (NETS) including the onshore and offshore transmission network required to connect offshore wind and transfer power to where it is needed. The HND is informed by the Network Options Assessment (NOA), which identifies the wider network reinforcements needed to improve the capability of the network. The NOA 2021/22 publication has been refreshed to integrate the offshore network design and provide an updated view on the required onshore network reinforcements necessary to produce the HND.

It assesses options required not only to meet our 2030 targets, but also those beyond 2030 to enable the transition to net zero.

We are now focusing on the next steps that can be found in our publication, which include the Contract Update Programme, Code and Standard modification programme and plans for the HND follow up process.

Ofgem Pathway to 2030 (PT2030) Minded-to decision and further Consultation

The Ofgem [Pathways to 2030 \(PT2030\) publication](#) sets out (1) a decision on the continuation of the existing OFTO regime for the delivery of radial assets under the HND and (2) its minded-to decision to apply a ‘very late competition - generator build’ model to non-radial offshore transmission systems in scope of the Pathway to 2030 workstream of the OTNR.

Within the document there is further consideration of how it is expected to distinguish between offshore and onshore transmission and how developers are expected to coordinate their activities when delivering non-radial offshore transmission.

It also requests feedback on changes required to implement the very late competition generator build model for non-radial offshore transmission. This consultation closed on 15 July 2022.



Multi-purpose Interconnectors

Multi-purpose interconnectors (MPIs) will connect GB to the electrical grids and markets of neighbouring countries, while also acting as a single coordinated point of connection to shore for clusters of offshore wind farms, thereby reducing the total amount of infrastructure needed to transport electricity onshore. Compared to existing point-to-point interconnectors and radial connections for offshore wind, MPIs can provide interconnection at lower cost, and reduce the environmental and community impacts. MPIs will support the Government ambition of 50 GW of offshore wind by 2030, by enabling the efficient connection of offshore wind to the electrical grids of GB and neighbouring countries.

The Government consulted on facilitating MPIs and published the outcome of this consultation in April, you can find this [here](#). To address blockers to the development of MPIs, BEIS has: (1) introduced a new licensable MPI activity and subsequent asset class, ensuring legal and regulatory clarity; (2) committed to review Government policy schemes, including Contracts for Difference and the Capacity Market, to ensure MPI eligibility; and (3) committed to work with the European Commission to ensure a suitable forum for technical market arrangements between neighbouring jurisdictions is available to facilitate discussions on cross-border compatibility.

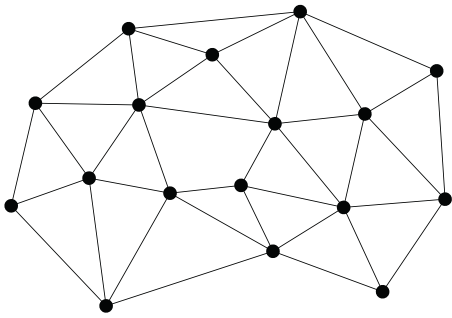
In the interim, BEIS will support Ofgem in launching a pilot investment window for early opportunity MPI projects between September 1st to October 31st. The learnings from this will benefit MPI projects taken forward as part of the enduring regime. BEIS will also support Ofgem bringing forward interim amendments to licence conditions for both the interconnector-led and OFTO-led approaches to MPIs.



Ofgem Multi-Purpose Interconnectors Consultation

In the [MPI consultation](#), Ofgem set out its minded-to decisions on how it intends to facilitate MPI projects within the current legal framework. Ofgem have also provided a response to feedback and general updates on the following wider policy considerations surrounding MPIs. For further information please find the web page link [here](#).

Future Framework



We consulted on our proposals for a new, strategic approach for development and delivery of offshore wind and associated infrastructure in Q4 2021. We are currently working on our response and recommendations with a view to publishing in Autumn 2022.

Details of the consultation proposals and key stakeholder response themes can be found at [OTNR website](#).

Crown Estate Scotland

ScotWind Leasing

All 17 projects that were successful in the ScotWind offshore wind leasing round have now signed Option Agreements and can move into the development stage. Full seabed leases are granted at a later stage once applicants have the necessary consents and have secured grid connections and financing. The Scotwind Supply Chain Development Statement Outlooks [published](#) earlier this year show initial commitments to the supply chain from the successful applicants, with an average spend of £1.5bn across each of the 17 projects.

The ScotWind Clearing process is currently underway. Clearing allows applicants who met required standards but were out competed for their chosen location to revise their application for an available alternative location. The only Sectoral Marine Plan for Offshore Wind site available for Clearing is NE1. The results will be available later this year.

INTOG Leasing

Innovation and Targeted Oil and Gas (INTOG) is a specific leasing opportunity targeted at transition of oil and gas to green energy and also small-scale innovation. Crown Estate Scotland recently published [a response](#) to feedback received from engagement with potential applicants and stakeholders on INTOG, with leasing launch expected in August 2022.



**Crown Estate
Scotland**
Oighreachd a' Chrùin Alba

The Crown Estate

In April 2022, BEIS, The Crown Estate and Crown Estate Scotland published The Future Offshore Wind Scenarios (FOWS) project. This is intended to support the future development of offshore wind by illustrating the scale of potential for UK offshore wind and the complex factors that must be balanced within the marine environment. It provides a more holistic consideration of the complex interactions concerning offshore wind deployment out to net zero than was previously available and will help to inform future decision making. The project was commissioned under the Offshore Wind Evidence and Change programme (OWEC), a collaborative programme led by The Crown Estate, together with its programme partners, the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Environment, Food and Rural Affairs (Defra)

The study provides the first illustrative framework for how the UK could deploy sufficient offshore wind to meet net zero.

FOWS provides illustrative spatial scenarios for offshore wind development out to 2050. These investigate the potential implications for future relative deployment costs and offshore wind technology choice, in interaction with the environment, other infrastructure, and marine industries.

The findings highlight the importance of approach in considering the spatial and cost implications of deploying sufficient offshore wind to meet net zero. They also identify the important role that floating wind could play, increasing deployment location options, with the potential to ease spatial pressures in UK waters. It highlights the complexity of demands on the marine space and the holistic thinking that will be required by the many

stakeholders that have a role or interest in securing the UK's clean energy future and increasing the country's energy independence by accelerating the roll out of low-cost renewables.

The Future Offshore Wind Scenarios report can be viewed on The Crown Estate's [online Marine Data Exchange \(MDE\)](#), the world's largest database of offshore renewables survey data, research and evidence.



OTNR Partners



Helpful links

BEIS

- January 2022: [BEIS Webinar](#)
- April 2022: [MPI consultation response](#)
- April 2022: [British Energy Security Strategy](#)
- July 2022: [Energy bill introduction](#)
- July 2022: [East Anglia developers statement](#)
- July 2022: [Pathfinder announcements](#)

ESO

- July 2022: [HND publication](#)
- July 2022: [Network Options Assessment 2021/22 Refresh](#)
- July 2022: [Codes & standards report](#)

Ofgem

- April 2022: [Early Opportunities consultation on Minded-to Decision on Anticipatory Investment](#)
- May 2022: [Minded-to Decision and further consultation on Pathway to 2030](#)
- July 2022: [Consultation on Minded-to Decisions on the initial findings of Electricity Transmission Network Planning Review](#)

Crown Estate Scotland

- April 2022: [Scotwind Supply Chain Development Statement Outlooks](#)
- June 2022: [Summary of feedback on proposed INTOG leasing](#)

The Crown Estate

- April 2022: [The Future Offshore Wind Scenarios \(FOWS\)](#)

Contact via email

- BEIS: offshore.transmission@beis.gov.uk
- Ofgem: Offshore.Coordination@ofgem.gov.uk
- NG ESO: box.OffshoreCoord@nationalgridESO.com
- The Crown Estate: OffshoreStakeHolder@thecrownestate.co.uk
- Crown Estate Scotland: marine@crownestatescotland.com
- Marine Management Organisation: planning@marinemanagement.org.uk

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