

## **OTNR Update Webinar – Q&A Response**

### **Introduction**

On 17<sup>th</sup> December 2020 BEIS chaired the OTNR Update Webinar, with our partners at Ofgem, National Grid ESO and The Crown Estate, 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 reviewed all questions which were not answered in the event and identified recurring themes which we address below, with input from OTNR partners. Please note that 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 [this webpage](#), which includes live Q&A with project leads.

### **How is the OTNR project set up?**

Our four core workstreams (Early Opportunities, Pathway to 2030, Enduring Regime and Multi-Purpose Interconnectors) are fully resourced and mobilised. These workstreams are managed through a set of regular governance forums with representatives from partner organisations such as Ofgem, National Grid ESO, Defra, Scottish and Welsh Devolved Administrations, the Crown Estate, and the Crown Estate Scotland. The Review has also established an Expert Advisory Group chaired by the Offshore Wind Industry Council which consists of representatives from the offshore wind and interconnector developer community, onshore and offshore transmission owners, academia, independent technical experts, and environmental and consumer groups.

We also continue to welcome views from, and proactively engage with, wider stakeholders where their expertise and input on specific parts of the regime, frameworks and processes are required.

### **What is the scope of the Review?**

This Review is ambitious in its scope and is looking at all the components of the policy and regulatory framework. The scope includes any opportunities for coordination for offshore or interconnector projects that seek to connect to the grid. Whilst we are not able to comment on individual projects and how exactly they would be addressed through the Review, we recognise the pressures posed on East coast communities and the environment from these developments. There are no fixed demarcation lines between our workstreams, so there may be a degree of overlap as to which workstream projects are considered under. At this stage, we are not discounting any options and all key stages of the wind development process are in scope of the Review.

The Review will also seek to remove the onshore and offshore barriers to offshore wind deployment and will work collaboratively with industry and wider stakeholders to achieve the objectives of the Review.

Striking the right balance between all interests at stake is therefore a key challenge in the Review. We will continue to work with a vast range of stakeholders to ensure that future connections for offshore wind are delivered, whilst finding the appropriate balance between environmental, social and economic aspects.

We are aware of increasing interest in hydrogen production using offshore wind and the electrification of oil rigs. While these developments are relevant to the project, we have not included them in the scope. However, we will ensure that any recommendations consider the potential impacts on the development and possible integration of other technologies in the future.

### **What are the expected timelines of the Review?**

There are likely to be substantial benefits from a more integrated approach to offshore transmission, and these benefits are greater the sooner the integrated approach begins. In the Enduring Regime workstream, we will look at designing and implementing long-term coordination frameworks for projects that have not yet started development or are in its early stages. For the longer-term projects, it will be possible to take a more strategic approach and make fundamental changes to the regulatory and policy framework within which they operate. In the Early Opportunities workstream, we will explore coordination options for inflight projects – ‘pathfinders’. We will consider tactical adjustments that could be implemented through relatively minor changes to the existing regime. The degree of intervention feasible for projects in these brackets will need to consider the risks to their timely delivery.

At the same time, in progressing the Review, we will also consider whether some offshore projects are already too far in their development process to implement changes to their planned connection without major commercial and delivery risks. For example, changes to projects that are very well advanced in their development timeline may lead them to be delayed by several years if required to participate in an integrated approach – this may negatively impact the government’s target of reaching 40 GW of offshore wind capacity by 2030. We will consider these and other factors when assessing options.

### **Will the Review take new technologies into consideration and make use of hybrid projects?**

As per our response to the Open Letter, we recognise barriers to coordination affecting novel project types and approaches, including technology barriers. The Review is considering the needs of hybrid projects, other asset types beyond offshore wind, as well as the potential of new technologies and grid approaches to enable coordinated solutions.

### **Will the Review involve international cooperation?**

The Trade and Cooperation Agreement with the EU provides for cooperation on a range of energy matters in order to support and strengthen the UK and EU’s shared energy objectives. This includes supporting the integration of renewable power and investment in decarbonisation projects in the North Sea, that will support the UK and the EU in achieving our respective world leading climate ambitions.

### **Will there be changes to the current OFTO regime?**

As per our response to the Open Letter, which highlighted barriers to coordination in the current OFTO regime, these changes to the current regime are within the scope of the Review. As part of the Early Opportunities workstream, in the short and medium term, we are considering, for example, changes to the anticipatory investment process. As part of the Enduring Regime workstream, we are considering several long-term options, which may include the 'OFTO build' approach and alternative approaches to anticipatory investment and risk allocation.

### **To what extent is the delivery of the Review reliant on having an ISO?**

Delivering a more coordinated offshore transmission infrastructure is not predicated on having an independent system operator. However, Ofgem did recently recommend to Government that the system operator function be independent. We will work with colleagues to ensure that offshore

coordination is taken into account when colleagues within Government and Ofgem are considering the roles and function of any future system operator.

### **National Grid ESO Phase 1 Report and Methodology**

#### **Will National Grid ESO assess the connections process?**

As we move towards an integrated approach, the ESO will be reviewing the connections process along with the way they assess where potential connections land (currently assessed through the CION process<sup>1</sup>).

#### **How was National Grid ESO's cost-benefit analysis undertaken? Has it taken all aspects into consideration?**

The ESO covered the carbon intensity of the electricity system and deployment of renewable electricity under the Status Quo and Integrated options within the cost-benefit analysis. This gave a view of the respective carbon impact of the implementation of both options. There are presently no plans to undertake a full lifecycle carbon analysis comparing a coordinated offshore network to the status quo.

The cost database used for the cost-benefit analysis was largely built upon the announced contract values of various HVAC/HVDC<sup>2</sup> projects and has been continuously updated and calibrated using publicly available cost data of relevant projects. The main external sources utilised in developing the cost database, in addition to internal databases, are:

- Electricity Ten Year Statement (ETYS) 2013
- Electricity Ten Year Statement (ETYS) 2015
- E-Highway 2050, 2014
- NorthSeaGrid, 2014
- PROMOTioN, 2017-2018

In addition, the consultancy which carried out the work, DNV GL, continuously monitors and collects cost information about the HVDC projects around the world, to update and calibrate its cost database.

#### **Is National Grid ESO taking both onshore and offshore networks into consideration?**

In the first phase of the work, the ESO has used the 'whole system' principle in developing onshore and offshore networks. This is an important principle, and the OTNR will also consider the important interdependencies between the onshore and the offshore network. Amongst others, we are considering how to give the relevant actors the confidence they require to make the anticipatory onshore grid investments required for the new offshore generation.

### **The Crown Estate Spatial Grid Study**

#### **Have the Crown Estate taken land impact into consideration in their study?**

The study area that AECOM are analysing encompasses the land region to the nearest point on the existing onshore transmission system, therefore it goes relatively far onshore in some places, given the transmission network topography in the East of England. Terrestrial constraints assessed by AECOM include a range of features including the biological (e.g. protected sites), physical (e.g. watercourses)

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<sup>1</sup> Connection and Infrastructure Offshore Note <https://www.nationalgrideso.com/document/45791/download>

<sup>2</sup> High voltage alternating current/ high voltage direct current

and historic (e.g. scheduled monuments) environments as well as other land use and infrastructure. This is in addition to considering landfall and marine constraints.