



Department for
Business, Energy
& Industrial Strategy

Energy Security Bill Policy Statement

Multi-purpose interconnectors

August 2022



© Crown copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: energybill2021@beis.gov.uk

Contents

Summary	4
Standard conditions for MPI licences	5
Background	5
Power to grant MPI licences to existing operators	6
Background	6
Power to make consequential (or supplementary, incidental, transitional or saving) provision	7
Background	7
Objectives	7

Summary

The Energy Security Bill was introduced into Parliament on 6 July 2022. This Bill will deliver a cleaner, more affordable and more secure energy system for the long term. It builds on the ambitious commitments in the British Energy Security Strategy to invest in homegrown energy and maintain the diversity and resilience of the UK's energy supply.

The Energy Security Bill contains provisions to bring forward a licensable activity for the operation of multi-purpose interconnectors (MPIs). MPIs are a new, innovative asset type which are not currently defined in law and, as a result, are not easily licensable. The provisions in this Bill seek to remedy this.

The provisions regarding MPIs contain three delegated powers. One enables the Government to bring forward the standard conditions for the MPI licence, another allows the Secretary of State to grant MPI licences to allow the operation of an MPI, and a third power allows the Government to make any necessary consequential (or other) amendments.

MPIs will combine two existing asset classes: interconnectors (which are subsea electricity cables that connect the GB electricity grid to neighbouring markets) and offshore transmission (the electricity cables which connect offshore wind generation to onshore grid connections).

By combining the functions of offshore transmission and interconnection, MPIs have further potential benefits when compared to interconnectors and separate radial connections for offshore wind. The potential benefits include:

- greater coordination and efficiency of offshore infrastructure;
- fewer onshore grid connections (which in turn will lead to fewer environmental and coastal community impacts);
- a reduction in the number of cables (and a reduction in the total offshore network capital and operational costs); and
- a reduced consenting risk for offshore network developers.

Standard conditions for MPI licences

This statement describes the objectives and intended policy of the power to allow the Secretary of State to set the standard conditions for MPI licences.

These conditions are expected to be brought forward prior to 2025, following a pilot regulatory scheme for early MPI projects (which will be conducted by Ofgem). The pilot scheme will launch on 1 September 2022. The standard conditions will be based on existing licence arrangements for similar technologies.

The Government intends to consult on these standard conditions with key stakeholders, including Ofgem, potential MPI licensees, interconnector operators, offshore transmission operators, and any other appropriate persons.

Background

Ofgem have indicated that early MPI projects can be brought forward under modified versions of the existing interconnector licence and offshore transmission licences¹. The projects that apply for the Ofgem pilot scheme will use this method.

Following the scheme, the Government intends to develop an enduring licence for future projects; this will utilise the experiences of the projects in the pilot scheme. These early pilot scheme projects can either continue to use the 'interim' licence, or switch to the enduring licence.

The standard licence conditions for MPIs will likely be based on the existing standard licence conditions for interconnector licences, and offshore transmission licences.

Separately, the provisions in this Bill also allow for a standard condition to not have effect until brought into operation, or to be suspended (and brought back into operation following suspension). This is in line with existing powers for interconnector standard licence conditions.

¹ Ofgem (April 2022) Offshore Transmission Network Review – Multi-Purpose Interconnectors: Minded-to Decision on interim framework <https://www.ofgem.gov.uk/publications/offshore-transmission-network-review-multi-purpose-interconnectors-minded-decision-interim-framework>

Power to grant MPI licences to existing operators

This statement describes the objectives and intended policy of the power to allow the Secretary of State the discretion to grant a MPI licence to operators (who are in possession of an interconnector licence or an offshore transmission licence), at such time as the new MPI activity is commenced.

The purpose of this power is to allow interconnector licensees or offshore transmission licensees to develop their asset into a multi-purpose interconnector.

Prior to the granting of any licence, this power requires the Secretary of State to consult with:

- the potential MPI licensee;
- the Gas and Electricity Markets Authority (GEMA); and
- any other persons that the Secretary of State considers appropriate.

Background

This power will be exercised in a similar manner to existing powers in the Energy Act 2004 (in which Section 148 of the Energy Act 2004 enabled the Secretary of State to grant interconnector licences to existing operators). The power in this Bill allows MPI licences to be granted in the same fashion.

The GEMA is Great Britain's energy regulator, and the governing authority of Ofgem. The GEMA exercises its functions via Ofgem, who will be the body responsible for granting licences as well as regulating the operation of MPIs.

The GEMA is well-placed to make assessments on potential MPI licensees, as they have historically done, and will continue to do, for interconnector licensees.

We will identify potential MPI licensees via Ofgem's pilot scheme.

Power to make consequential (or supplementary, incidental, transitional or saving) provision

This statement describes the objectives and intended policy of the power to allow the Secretary of State to make, by regulations, consequential, supplementary, incidental, transitional or saving provision in relations to the MPI-related measures within this Bill. This includes provision amending, repealing, or revoking an Act of Parliament or retained direct EU legislation.

Regulations brought forward under this power are subject to the affirmative procedure. There are currently no regulations planned through this power.

Prior to bringing forward any potential regulations, the Secretary of State must consult with:

- the GEMA, and
- any other persons as the Secretary of State considers appropriate.

Background

As MPIs are a nascent technology, there is a potential for some aspects of the regulatory frameworks, market trading arrangements, and operational processes to transform once MPI activity commences.

It is possible to make initial changes to legislation. For example, existing Acts can be expanded to refer to MPIs wherever any reference is currently made to interconnectors or offshore transmission. This is the approach taken by Schedule 14 of the Bill.

However, the full detail of any possible necessary changes is difficult to identify at this stage. Following the Ofgem pilot scheme, within which the early MPI projects will be selected and begin development, the Government will be in a better position to understand the full range of changes needed. These changes may require other legislation to be amended.

It is not expected that this power will be used, but it provides a safeguard in case of unforeseen consequential changes, where the required powers do not already exist.

Objectives

The objective of this power is to ensure that any of those necessary changes to legislation can be made, following the development of Great Britain's first MPIs, which we anticipate will be brought forward by the Ofgem pilot scheme.

It is important to note that any changes that may be brought forward will be subject to the affirmative procedure (and it is also possible, and preferred, that no changes will be brought forward). It is the Government's intention that the need to ensure flexibility in the licence conditions is balanced with an appropriate amount of parliamentary scrutiny.

This publication is available from: www.gov.uk/beis

If you need a version of this document in a more accessible format, please email enquiries@beis.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.