Email to:
Cap.Floor@ofgem.gov.uk

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Dear Nick Pittarello, Joshua Coomber, Richard Harrap, and Bartosz Slota,

**Consultation on** **the Regulatory Framework, including Market Arrangements, for Offshore Hybrid Assets: Multi-Purpose Interconnectors and Non-Standard Interconnectors**

**About Scottish Renewables**

Scottish Renewables is the voice of Scotland’s renewable energy industry. The sectors we represent deliver investment, jobs, and social benefits and reduce the carbon emissions which cause climate change. Our 330-plus members work across all renewable energy technologies, in Scotland, the UK, Europe, and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland’s homes and businesses.

**About RenewableUK**

RenewableUK members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 400 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and access markets to export all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

**Overview**

Scottish Renewables and RenewableUK (RUK) welcome the opportunity to respond to Ofgem’s consultation on the Regulatory Framework, including Market Arrangements, for Offshore Hybrid Assets: Multi-Purpose Interconnectors and Non-Standard Interconnectors.

Scottish Renewables and RUK welcome both consultations and believe they represent an important step forward to developing Multi-Purpose Interconnectors (MPIs) in Great Britain (GB). We continue to believe that MPIs will have an important role in delivering net zero at least cost to the consumer and meeting the Government ambitions of 50GW of offshore wind and 18GW of interconnection by 2030. An Enduring Regime will need to coordinate changes to legislation, codes and methodologies in order to enable MPIs on the electricity grid.

The current legislation for interconnectors (Electricity Act 1989) was not developed with MPIs in mind and instead defines interconnectors as point-to-point connections with other countries. MPIs also do not fit into the definition for offshore transmission, which only considers a radial link connecting a single generator back to the shore. The current regulations do not provide an easy mechanism for these elements to interact through licensing, connection policy, charging or ownership.

Current legal and regulatory frameworks focus only on existing onshore transmission with ‘bolt-on’ regulatory arrangements for offshore transmission. Therefore, we welcome any changes wherein the compartmentalisation of the transmission system between offshore and onshore is reduced or removed. The development of an integrated offshore and onshore transmission system is needed to support the overall delivery of net zero.

We have not responded to your questions in detail, but we would like to draw your attention to the following points:

* It is our belief that the Home Market model will be always the model preferred by Offshore Wind Farms (OWF) for its similarity with the radial connection approach.
* We are not averse to the Offshore Bidding Zone (OBZ) model, which we understand is the preferred option from Ofgem and DESNZ, however, we will only favour this approach if OWFs are compensated fairly for the loss of revenue that they will have under this market setup.
* Our preferred compensation mechanism for OWFs is an amended Contracts for Difference (CfD) scheme. However, an amended CfD that reflects the GB wholesale price in an importing scenario (as proposed in the consultation) may not be enough. This is because the OWF is not compensated for not using the full generation, so they may be curtailed more than in the contrafactual radial scenario. We think that an additional compensation mechanism will be necessary to consider this issue.
* We support the preferred regulatory regime proposed by Ofgem. A narrow cap and floor model for the cables and a RAB model for the offshore platform. This regime will ensure that the MPI owner recovers the costs of investments.
* We think that if the OBZ model is adopted, onshore TNUoS charges should be removed, as the OWF will lose priority access to the grid. Local charges should also be removed because the MPI owner will recover the cables and offshore platform cost through the narrow cap, floor and RAB model.

Scottish Renewables and RUK would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,

Stephen McKellar

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