

Email to:  
George Cobb, Offshore Transmission team, Ofgem  
[offshorelicensing@ofgem.gov.uk](mailto:offshorelicensing@ofgem.gov.uk)

17 August 2022

Dear George,

## **Offshore transmission owner (OFTO) End of Tender Revenue Stream – 2<sup>nd</sup> Policy Development Consultation**

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs, social benefits and reduce the carbon emissions which cause climate change. Our 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.

Scottish Renewables welcomes the consultation on the Offshore transmission owner (OFTO) End of Tender Revenue Stream (EoTRS). As the deployment of offshore wind increase significantly, and wind turbines become larger, more complex, and more coordinated, there is an urgent need for reforming the OFTO regime.

Scottish Renewables would like to express its strong support for RenewableUK submission to this consultation, and we would like to highlight some extra points below:


- The industry broadly agrees with the EoTRS policy objectives proposed by the consultation.
- It is disappointing that areas regarding the EoTRS policy, such as decommissioning and details around asset health reviews, are not included in the consultation. We look forward to engaging further on these topics soon.
- We encourage Ofgem to focus on ensuring the EoTRS policy enables optimisation of any life extension at the lowest possible cost. If there is an “opportunity for maximising the operating life of transmission assets where it is economic and efficient to do so”, this must be assessed as a priority. In return, this will support the most efficient economic outcomes and will support our net-zero target commitments.
- The industry agrees with Ofgem's decision to consider each OFTO on a project-by-project basis. However, this will raise the costs incurred and resources required from Ofgem, and reassurance is needed to make sure that this will not hamper work around EoTRS.

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- The industry agrees with the proposed approach of using competition to improve the value-for-money of Extension Revenue Stream (ERS) offers.
- Further detail regarding the health review is needed. We think that the health review should be conducted by developers whose windfarm connects to the transmission assets, or alternatively, a third party. It would also be beneficial if the health review were conducted as early as possible, thus the industry requests moving this to at least 6 years before the end of the existing TRS. This will help developers make sensible investment decisions.
- Regarding the information that might be suitable to share between wind farms and OFTO participants, the industry proposes that developers should be able to input a ranking as to how well the incumbent OFTO has been maintaining and repairing the offshore transmission assets during the initial TRS period.
- Regarding how incoming licensees should pay an asset transfer value we would like to note that developers pay to design and build offshore transmission assets, and receive a payment from the OFTO as compensation. Over time, the value of the assets depreciates, and the CAPEX is paid off. However, if a new OFTO pays an asset transfer value, care must be taken that this is set to capture the residual value of the assets only. In other words, the OFTOs should not be rewarded twice. We also believe that charging should be assessed to ensure that generators are not double paying for CAPEX that has been charged in the initial TRS period.
- We would advise maintaining the 98% availability target, this is currently appropriate and in line with general industry practice. Lowering the availability would impact a windfarm's business case. We note that there is an unlevel playing field between onshore and offshore wind farms and believe that offshore wind farms should also be compensated for grid outages. Levelling this playing field would make the end of TRS and coordinated grid policy less complex.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Angeles Sandoval', with a long horizontal flourish underneath.

Angeles Sandoval  
**Policy Manager | Grid & Systems**