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To whom it may concern,

Consultation Response: Consultation on Updating the Allocation Round 6 Supply Chain Plan Questionnaires

Scottish Renewables is the voice of Scotland's renewable energy industry. Our vision is for Scotland leading the world in renewable energy. We work to grow Scotland's renewable energy sector and sustain its position at the forefront of the global clean energy industry. We represent over 330 organisations that 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 support the objectives of the Supply Chain Plan (SCP) process, and we welcome some of the clarifications and proposals set out in this consultation. However, we would emphasise, as we have done in previous consultation responses, that fundamental shortcomings of the project-by-project approach of the SCP process mean that SCPs will be insufficient to achieve the UK's ambitions for supply chain development. This has only become more apparent in recent months as we have observed increasing costs and constraints in global supply chains as well as generous incentives introduced in competing markets which threaten to divert investment away from the UK. Whilst we welcome the recent consultation on introducing non-price factors to the CfD scheme, we are still of the view that a new framework that facilitates a more strategic and collaborative approach supply chain development is needed.

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Detailed answers to the consultation questions are provided in the appendix to this letter with the key points highlighted below:

- **Impact of proposed changes**

- It is concerning that the changes to the proposed changes to the SCP questionnaire have been assessed by DESNZ as not having a 'materially greater impact' on the administrative burden of completing the SCP questionnaire. We would disagree with this assessment as many of the proposed changes go beyond clarifying or refining the questionnaire and are instead arguably introducing new, specific policy aims. The short consultation period also sets a worrying precedent as developers need to have sufficient foresight of substantive changes to be able to assess their impact in detail.
- In lieu of a dedicated supply chain strategy for the renewable energy sector, SCPs have become the main driver of supply chain investment. This has led to the SCP process becoming increasingly complex and changeable as it is continually amended to align with new policy goals. Whilst developers take the SCP process seriously and allocate significant resources to it, with submission of SCP questionnaires now having considerable lead times it means that changes to the process between rounds are becoming increasingly costly to accommodate. We therefore urge DESNZ to keep changes to the SCP process to a minimum between rounds.

- **Industry standards**

- Scottish Renewables supports efforts to make the scoring of questions more objective and comparable across projects. However, many of the areas where there has been an attempt to introduce more robust quantification are areas where industry standards are still to be established. These include the questions on 'Sustainable Procurement', 'Planning for Sustainable Decommissioning', and Option 2 of the question on 'Decarbonisation Monitoring'.
- The absence of universal standards in these areas precludes objective comparison and may unduly favour certain technologies and projects. Additionally, developers may only be able to submit estimated values for these questions as many contractual arrangements will not be known when submitting a SCP, with some not known by the Milestone Delivery Date (MDD) either.

- There is also questionable value in scoring projects based on the extent to which they exceed industry standards. If projects consistently exceed a 'standard' this raises the question of whether it can continue to be considered a standard, and there is the additional challenge of quantifying this supposed baseline when few projects operate in line with it.
 - It is important that developers are still scrutinised in these areas, but industry standards must be established in order to make it possible to do so fairly and accurately. Therefore, in collaboration with industry, we suggest government focuses on facilitating the development of robust industry standards that projects then commit to meet rather than exceed in order to fulfil SCP requirements. This will enable more accurate and objective assessment as well as give more certainty to applicants.
- **Developer-level initiatives**
 - Scottish Renewables welcomes the increased effort to encourage collaboration between projects as there are significant gains to be made in terms of facilitating more efficient use of resources and infrastructure.
 - We believe that further gains could be made by promoting developer-level initiatives to boost local supply chains. We therefore suggest that initiatives delivered at the developer level are rewarded through the SCP process. Developers will then be better incentivised to seek efficiencies across their respective portfolios of projects under development.

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

Yours sincerely,



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Scottish Renewables

Appendix: Answers to consultation questions

1. For the questions on 'Sustainable Procurement' (as seen in all questionnaires), and 'Planning for Sustainable Decommissioning' (as seen in the Offshore/Onshore questionnaire and the solar questionnaire):

a. Are these the right questions to support the delivery of the Supply Chain Plan objectives?

b. Are there activities that relate to sustainable procurement and sustainable decommissioning that are not covered by the questions as drafted?

c. Are the scoring thresholds for percentage recycling rates at decommissioning stage set at an appropriate level?

Scottish Renewables recognises that sustainability should be a central concern at all stages of a renewable energy project, and we support the intention motivating these questions, namely, to reward sustainability across the lifecycle of renewables assets.

However, the nature of procurement and decommissioning processes and how the latter is misaligned with SCP submission means that we have significant concerns about these questions, both in terms of developers being able accurately answer them and DESNZ being able to objectively assess responses.

There is currently no standardised measurement of sustainable procurement or sustainable decommissioning. It is therefore hard to see how DESNZ will be able to objectively score responses and assess relative ambition.

Not all procurement contracts will have been signed by MDD which adds to the difficulty of answering these questions. Furthermore, assessing sustainable procurement on a project-by-project basis ignores developer-level initiatives to promote supply chain development. We therefore believe that the scoring mechanism should be amended to take into account developer-level commitments to advance the supply chain, in addition to project-level commitments.

However, the challenge of providing accurate answers is far greater for the questions relating to sustainable decommissioning. Decommissioning arrangements will not be known at MDD which means that any response to these questions will be challenging to estimate, will carry a high degree of uncertainty and will therefore arguably be of little value.

In terms of percentage recycling rates at decommissioning stage, we would again raise the point that the lack of a standardised methodology means it is unclear how anticipated recycling rates should be calculated and objectively assessed across SCP submissions. Government should also clarify if the recycling rates refer to percentage by weight or by volume.

We therefore recommend that target recycling rates for projects should be set as an industry standard (possibly with minimum applicable thresholds) and not assessed on a project-by-project basis through the Supply Chain Plan questionnaire.

2. For the question on 'Supply Chain Resilience' (as seen in the Offshore/Onshore questionnaire only):

a. Is this the right question to support the delivery of the Supply Chain Plan objectives?

Scottish Renewables agrees that supply chain bottlenecks, constraints and resilience issues are presently major concerns for the industry. However, we do not agree that scored questions on this issue should be included within an individual project's SCP submission.

The expansive nature of modern supply chains means that they are subject to global, geopolitical and wider socio-economic factors. Supply chain resilience is thus largely determined by factors which are both difficult to quantify and outside of a developer's control. The question regarding exposure to political and economic risk is therefore nebulous and, regardless, these risks will change significantly between SCP submission and MDD. We believe it is therefore unfair and inappropriate to include a scored question on exposure to political risk and supply chain shortages which ties these uncontrollable factors to CfD application success. Given recent geopolitical turmoil and the current challenging climate, we understand DESNZ's reasoning for wanting to seek information and reassurance on this topic. However, introducing additional risk to a process that already places significant administrative burden on developers and ultimately carries the risk of CfD termination seems counterproductive.

We recommend that other routes and means for obtaining this information should be sought or, as a secondary option, that this particular question be introduced/absorbed into the unmarked section of the SCP. This will allow developers to provide information around current practices and risk-management approaches that may inform and reassure DESNZ when it comes to resilience, bottlenecks and constraints, without adding further uncertainty to an already risky process.

SR would also like to highlight that the risk-management measures of individual developers can only go so far in addressing the threat of these issues. A broader, concerted strategic effort at a UK level would be the most effective way to provide robust protection to industry from these threats.

Conversely, we do support the inclusion of questions which assess developers' efforts to minimise exposure to modern slavery or dangerous or exploitative labour practices in their supply chain. However, we are concerned that the proposed scoring methodology would be difficult to apply in practice. We therefore recommend that the wording from the AR5 SCP questionnaire is retained.

3. For the question on 'Decarbonisation Monitoring' (as seen in the Offshore/Onshore and the bespoke solar questionnaire):

a. Is the newly drafted version of the question (option 2), helpful in facilitating moving towards a standard way of calculating Lifetime CO₂ equivalent emissions?

b. Is the newly drafted version of the question (Option 2) the right question to support the delivery of the Supply Chain Plan objectives?

c. What LCO_{2e} thresholds should be used in Option 2, expressed as CO_{2e} per MW? Please specify what X, Y and Z should represent for the standard and solar version of the questionnaire?

Scottish Renewables does not support introducing the newly drafted version of the question (option 2); option 1 should be retained.

Calculating LCO_{2e} is a complex process and there is currently no standardised or comparable methodology for doing so. Applicants would therefore not be able to provide estimates in response to option 2 that DESNZ would be able to objectively assess across SCP submissions.

The Carbon Trust is currently working with industry to develop a standardised methodology. However, the methodology is still several years from being ready to utilise so will not be available for use in AR6 SCP submissions.

4. For the question on 'Collaborating to Utilise Infrastructure' (as seen in the Offshore/Onshore questionnaire only):

a. Is this the right question to support the delivery of the Supply Chain Plan objectives?

Scottish Renewables supports efforts to increase collaboration between developers, suppliers and others wherever feasible. However, in practice, we would also highlight that the nature of renewable energy projects and the processes (legal, regulatory, political, competitive, etc) surrounding the development of these assets, means that in certain areas opportunities for collaboration are limited. This makes it all the more important to have an overarching industry framework to identify and maximise the opportunities which do exist. There are however undeniably significant opportunities for individual developers to use infrastructure more efficiently when developing multiple projects concurrently.

We therefore believe that this is an appropriate question to support the delivery of Supply Chain Plan objectives. However, we are concerned by the weighting that this question has been awarded compared to others given the novelty of the question being proposed and how challenging we believe these opportunities could be to implement in practice, even with the best will on the part of SCP applicants.

SR therefore recommends that this question be retained within the AR6 version of the SCP questionnaire but that the weighting is altered to reflect the newness of the question and the limitations on collaboration that arise from the fundamentally competitive nature of CfD auctions. The SCP questions should also be amended to reward efficient use of infrastructure by a developer across their portfolio of projects under development.

It is also important to remember that SCPs will not be able to fully solve these challenges and maximise collaboration. Whilst they can incentivise progress in some ways, more fundamental approaches and solutions are needed that involve a shift away from project-level approach to facilitate cooperation.

5. Are there other questions, other than those on 'Investment in New Technologies', and 'Skills Gaps and Shortages' where collaboration should be encouraged/rewarded (as seen in the Offshore/Onshore questionnaire and the Floating Offshore Wind questionnaire)?

Additional areas where collaboration could be encouraged are areas with little commercial sensitivity such as ecological surveys. Other areas which merit further exploration for opportunities for collaboration also include supply chain development and 'early collaboration'.

These are particularly relevant when considering lessons-learnt from fixed offshore wind, and when applied to the high potential for floating offshore wind supply chain development in the UK.

6. For the question on 'Using SMEs' are the scoring thresholds for SME involvement set at an appropriate level?

Scottish Renewables does not support the scoring thresholds for the question on 'Using SMEs'.

Percentage CapEx and DevEx spend on SMEs is an entirely inappropriate metric and, this fact aside, the thresholds are set at infeasibly high levels.

We are of this view for several reasons. Firstly, quantifying SME involvement as a percentage of total CapEx and DevEx spend (as proposed in the questionnaire) will be challenging for a developer, as the data is not routinely gathered. Secondly, since developers contract with Tier 1s which in turn contract with lower tiers, this means introducing set levels for SMEs would introduce unmanageable levels of risk to this process as many of these contracts would not be agreed when a developer submits their SCP. Thirdly, often SMEs do not provide the services that developers require when tendering CapEx contracts. Given the huge amount of CapEx involved in developing renewables projects (in particular offshore wind), setting a threshold of 9% for full marks is entirely unrealistic.

However, we would support efforts to promote SME fair access to relevant opportunities as there are particular activities (such as consultancy services and groundworks) that are suited to SME involvement. Therefore, instead of specifying percentages, we recommend a different approach to scoring that assesses the actions taken by the developer to maximise awareness and access by SMEs at each tier level of the supply chains. DESNZ should focus on promoting behaviour and process in this way rather than trying to dictate the outcome of procurement processes.

7. For the question on 'Apprenticeships, Scholarships and Trainees' in the solar questionnaire, are the scoring thresholds for total positions set at an appropriate level?

We would note that it is very difficult for Tier 1s to give commitments to developers at this early stage i.e. in advance of the contract award. In addition, the commitment is for the life of the

project so does not recognise the changes that may occur in the education system over the next 25-30 years.

We would also argue there should be greater flexibility regarding this question to ensure that the outcomes address the issues e.g. to be able to include graduate development programmes, internships, etc. and for commitments to reflect any changes to the system during the project lifetime if the developer can provide demonstrable reasons as to why.

We would also like clarify that the requested breakdown of hires from other sectors is solely for informational purposes as setting a target for hires from other sectors could create perverse incentives.

Given the factors above and the relatively small scale of UK solar projects, we recommend that Question 4.2 is merged with Question 4.1 on Skill Gaps and Shortages.

It would be reasonable to include in Question 4.1 a reference to Apprenticeships, Scholarships and Trainees and for a developer to report on the initiatives they are taking at a company and sector level to promote these. It is not appropriate to ask about these at a project level, as solar projects are too small.

8. Are there are any other questions that should be included or removed in the questionnaires?

Given our view that there are fundamental shortcomings to the SCP process in terms of stimulating supply chain development and given the level of risk involved for developers, Scottish Renewables advises against the addition of any other questions. This is also advised given the broader discussions around potential changes to the CfD regime and the possible introduction of Non-Price Factors.

To ensure a relevant and robust process that reflects current topics of importance, many of the questions/topics proposed to be introduced appear to be the correct ones. We continue to urge DESNZ to consider, however, whether the level of progress to date since the new SCP process was introduced shows that the SCP process is working to the extent hoped.

We would encourage UK Government to continue considering the need for consistency to ensure benchmark comparisons year on year, whilst ensuring that any changes introduced are genuine improvements.

In terms of any questions/topics that should be removed, questions regarding sustainable decommissioning and exposure to political risk and supply chain shortages are the main

questions we would advise here. As set out above, we recommend that target recycling rates for projects should be set as an industry standard rather than assessed on a project-by-project basis through the SCP process.

Comments on the Solar Questionnaire:

For Question 1.1 on Supply Chain Competition, we believe the emphasis should be on enabling competition and fair access, rather than focusing on exactly how a developer goes about this. Many developers have long-term frameworks with suppliers, which are competitively allocated when first established. In addition, solar projects have shorter lead times than offshore wind and the supply of components is commoditised and spread across many projects on a long-term basis. Developers do take incremental steps in seeking improvements through the long-term frameworks and can provide evidence on these steps.

It is important that these features of solar supply chain arrangements are reflected in the questions and scoring.

For Question 1.2 on Supply Chain Opportunities, account needs to be taken of the fact that there is limited scope to encourage new entrants in the UK, as the majority of equipment is imported. Steel structures and, to a lesser extent, transformers have some scope to promote UK content.

Comments on the Offshore/Onshore Questionnaire:

Question 2.2 Supply Chain Infrastructure

We note that, to achieve maximum points, a developer would need to demonstrate that they are using new facilities. We would request further clarification as to why that has been assessed as a requirement and what value will be added from this requirement.

Developers use many suppliers who have existing state-of-the-art facilities which will not require upgrades, nor a new facility, and who would not want to exclude utilising the existing facilities. There are examples in the supply chain where new facilities are being built by suppliers for additional product lines, but the products that existing customers procure could come from the original factory, as the supply chain will dictate what and where they will manufacture their products for different markets. We do not believe that the inclusion of this question as currently drafted will support the objectives of the Supply Chain Plan.

9. Is the proposed scoring for each question appropriate, and do they sufficiently incentivise the ambitious commitments needed to support the delivery of the Supply Chain Plan objectives?

Scottish Renewables understands that changes to scorings and weightings will in some cases be necessary to reflect the changing industry landscape. However, such major shifts in scorings, with confusing scoring total numbers, are unhelpful and we are unclear as to the underlying policy needs or approaches that ultimately require these changes.

In addition, the scoring is extremely difficult to provide evidence of with regards to 'industry standard', particularly, but not solely, with regard to the questions related to skills. This is because much of the current work in this area is not visible outside of individual companies and so the evidence is mainly based on desk-based research and the knowledge of industry experts within the company. We would therefore urge DESNZ to provide further guidance on what should be provided to score well on these questions.

Urgent action is needed outside the SCP process to address the problem of skills. The industry is already seeing significant skills gaps and shortages, and we could soon find ourselves in a situation whereby both supply chain constraints and a constrained/under-skilled workforce threaten the deployment of UK renewables.

Comments on Solar Questionnaire

For Question 3.1 Investment in R&D, we think that the high score is disproportionate to the scope for further innovation for this relatively mature technology, compared to the scoring for R&D allocated in the other questionnaires. We recommend the solar score for Question 3.1 is adjusted downwards.

Comments on Floating Offshore Wind <300 MW Questionnaire

For Question 2.1 on Supply Chain Infrastructure, it will be difficult for relatively small FLOW projects to directly support specific infrastructure investments. We recommend that the scoring is adjusted downwards for this question and in addition the evidence is widened to include actions by the developer to enable infrastructure investment, in addition to direct support.

Comments on Offshore/Onshore Questionnaire

For Question 1.3 on Procurement Value Drivers the weighting for non-priced factors in the evaluation of tenders is 65% which is very high and does not align with commercial principles of reducing the cost of delivering the offshore infrastructure. Instead of using percentages, we

would recommend that other metrics are looked at to see what is being done to encourage development of the supply chain.

Additionally, our assessment is that there is some subjectivity around the scoring and there needs to be more clarity on the definitions to ensure that it is clear what the thresholds are. For example, for Q1.2 Collaboration, full marks are given for a comprehensive response whilst the next threshold is 7 for a detailed response. Pass mark for the questionnaire is set at 60% for each question so it is essential that it is clear on the marking – and what is meant by industry standard as that is set as the benchmark.

10. Do you agree with the government's assessment that the changes to the Supply Chain Plan questionnaires proposed do not have a materially greater or lesser impact, in terms of burden (project cost or administrative), than AR5 Supply Chain Plans? If you disagree, please provide supporting evidence, including reference to the specific change(s) that you think will impact the burden, and quantification of impacts where possible?

Preparing a SCP is already a significant undertaking for developers, requiring a considerable amount of time and resources to complete. Within the time taken to complete a SCP, annual to bi-annual changes to the SCP process (as appears to have become the norm) means that the 'goalposts' shift constantly and the preparation work undertaken can be incorrect, needs to be revised or completely redone.

Scottish Renewables is fully supportive of the aims of the SCP process and our members take the SCP/CfD application process very seriously and allocate resources accordingly. However, once teams, processes and practices are established it can be difficult and disruptive for developers to have to change these, especially part way through a given year or cycle and particularly when already embedded and working effectively. The timing of these changes and of this consultation (for example) is also challenging given that many developers will be in the midst of the SCP drafting phase.

We would therefore urge government to keep changes to the SCP process between allocation rounds to a minimum, and, if it expects maintaining continuity in the SCP process to be infeasible, to consider an alternative framework to act as the primary driver of supply chain development.