

Sally Musaka

By email: stcteam@nationalgrideso.com

26 October 2022

Dear Sally,

CM0085: To clarify OFTO reactive power requirements at <20% output

I am writing to you on behalf of Transmission Capital Partners ("TCP") in response to the Consultation dated 05 October 2022 on the proposed amendment to the SO-TO Code (STC).

TCP has been involved in the OFTO regime from the original Ofgem consultation on the establishment of OFTOs back in 2009 and has subsequently participated in every OFTO tender process.

TCP currently manages nine offshore transmission assets (OFTOs), including Robin Rigg, Gunfleet Sands, Barrow, Ormonde, Lincs, Westermest Rough, Dudgeon, Beatrice and Rampion. TCP is also preferred bidder on two further offshore transmission assets; East Anglia One and Moray East. Through its proactive approach to managing these assets over the cumulative 65 OFTO-year operating history, TCP has achieved on overall transmission system availability in excess of 99.9%.

All TCP's OFTOs hold transmission licences issued by Ofgem and are STC Parties and we respond on behalf of the TC collective group of STC Parties.

The OFTO regime is facing a time of increasing uncertainty, including the emerging treatment following the end of the initial TRS period, and greater offshore coordination.

Within that context, our response outlines our views in three areas:

1. Whether there is a need for this amendment,
2. The selection of the Self-Governance route, and
3. Whether the amendment would have the desired effect.

Each is considered in more detail below.

1. The need for this amendment

STC Section K prescribes the technical, design and operational criteria and performance requirements for offshore transmission systems, which defines the Transmission Owner's Services Capability Specification, and the Operational Capability Limits. These provide comfort to investors in the OFTO assets that the service requirements are well defined, the System Operator has clear capability boundaries to work with; and, requests for change to the requirements are controlled in a way that suitably reflects the OFTO TRS fixed funding arrangement.

The STC already contains a controlled and proper process, under STC Section C, 3.3.2, that allows the NG ESO to propose modifications to the minimum Offshore Transmission Owner's Services Capability Specification, or using STCP 04-4 to create Enhanced Operational Capability Limits.

In our view, these processes provide an appropriate and controlled route for NG ESO to achieve this outcome, and therefore this amendment to the STC is unnecessary.

2. The use of the Self-Governance route

The proposed amendment text can be read as to provide a unilateral ability for NG ESO to instruct a change to the operating capability limits, outside of the existing STC processes.

Accepting this amendment could be seen to set a precedent that allows changes to the technical requirements for an OFTO to be changed unilaterally, outside of the agreed processes within the STC.

This would have wider commercial implications for the perception of risk for the OFTO regime, where STC modifications add further new obligations onto the OFTO, beyond those agreed at the time of the transaction.

Therefore this amendment could have a material effect on OFTO competition and the commercial activities of OFTOs. We are of the view that the proposed amendment would not satisfy the Self Governance Criteria (a) (ii).

We would also suggest that this amendment fails on Criteria (b) “...is unlikely to discriminate between different classes of Parties”. The introduction of an additional route to change the OFTO services capability limits in addition to the existing STC processes, would see OFTOs being treated differently to other parties to the STC.

Furthermore, enabling the generality of Users to benefit from these assets, as proposed, would have knock-on implications for transmission charging. Currently the reactive compensation equipment is fully charged to the offshore generator, however with a wider base of Users able to benefit from these assets, the charging approach would need amendment to reflect that. If all of the reactive plant associated with current and future OFTOs were to be socialised in part of in total, as a result of this modification, it may cause a material impact on existing or future consumers, failing Self Governance Criteria (a) (i).

3. The desired effect

We are of the view that seeking to achieve access to the range of reactive power through this amendment is less likely to be successful compared to using the existing processes.

There are potential commercial implications where assets are required to operate outside of the range for which they are designed and tested for. Whilst we accept that some OFTO systems have inherent additional reactive capabilities at low loads, it is not a trivial exercise to determine what capability exists and whether it has ever been tested as part of compliance, as often this happened prior to the OFTO taking ownership of the assets. There are also maintenance and reliability implications, which have not been analysed and could not be assessed in response to an ad-hoc instruction from NG ESO.

The wording of the amendment provides two potential reliefs from being obliged to take such an instruction. First that it is not a design requirement and secondly that carrying out the NG ESO instruction is “without unduly affecting such equipment.”

For those with long-term fixed commercial arrangements, taking on additional operational risk would likely be seen as “unduly affecting the assets”, as (without proper analysis) it cannot be known what impacts it may have on reliability and then consequential commercial implications on availability in the future. In addition, as a prudent asset manager, we are also looking forward to extensions to the initial OFTO period. Ofgem have identified value from being good asset managers and it is hard to see how an ad-hoc approach to operating the assets would be seen favourably, if it were to lead to additional costs at the point of seeking a life extension. As TCP has pointed out on a number of occasions since the inception of the offshore regime, compliance with Section K in operation timescales is ambiguous, and potentially results in different types licenced parties who own and operate exactly the same equipment being treated differently and with significant commercial implications. This result in a potentially high commercial risk to OFTOs, should the availability of reactive compensation equipment decrease as a result of the proposed modification.

In conclusion, seeking to use the approach in the amendment to access any potential wider asset capability would appear less likely to have the desired effect, compared to using the existing processes that allow for proper analysis of the proposed changes or enhancement to capability.

In summary, it is our view that:

- the amendment is unnecessary as the STC already provides a route to achieve this,
- the choice of the Self-Governance route is inappropriate due to the implications on the OFTO regime, potential charging impacts, and the introduction of discrimination between Parties, and
- if it were to progress it is less likely to result in NG ESO receiving an enhanced service.

We would be happy to discuss any of the in above in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Mike Lee', written in a cursive style.

Mike Lee

Director



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