
Consultation by National Grid ESO on Connections Reform

Response from The Crown Estate

August 2023

1 Key messages

The Crown Estate welcomes the ESO's Connection Reform proposals.

We recognise that the first-come first-served model for connection arrangements was designed for a different generation landscape and has placed an unforeseen burden on the ESO and other affected organisations. We are supportive of changes that will streamline delivery, remove wasteful effort for all stakeholders, and achieve more coordinated outcomes for our energy system as we work towards achieving Net Zero by 2050 for the nation.

There are numerous ways to approach this challenge; regulatorily, commercially, technologically, regionally, temporally. We do see the merits of the ESO's recommended target model option (TMO4) amongst all options set out. However, the development of further detail will be necessary over coming months to be able to inform both our understanding and our position more fully. We are committed to work closely with the ESO in this regard.

It will be important for the ESO to continue to set out Connection Reform in the context of wider electricity system reforms, including network planning reforms such as the Centralised Strategic Network Plan (CSNP). We expect that the CSNP process will significantly inform connection activity and The Crown Estate commits to work closely with ESO at this strategic planning level using our Whole of Seabed spatial evidence and offshore delivery route-map proposals to inform future deployment of offshore energy technologies, particularly offshore wind.

In the draft National Policy Statements for Energy, offshore wind is recognised as critical national priority (CNP) infrastructure in England & Wales. Such prioritisation should be similarly reflected in getting connected to the electricity system and we ask that the ESO takes this into account in the Connection Reform proposals as they are developed further.

In all target model options we note that the ESO will require applicants to have a Letter of Authority ("LOA") from a landowner. We recognise that further detail on this option is needed to explore this option further and ensure that connection process risks are not inadvertently transferred onto landowners. We are committed to working with the ESO to explore the most appropriate LOA arrangement for offshore technologies such as offshore wind, interconnectors, and marine energies (wave and tidal). Our initial view, subject to further detail on this proposal, is that the LOA should be commensurate with having an agreement for lease (AFL) or option agreement with The Crown Estate towards future seabed rights.

The implementation period and transitional arrangements leading to a switch-over to the finally recommended target model will be critical. The timing and sequencing of the connection / network design process should complement the nature of seabed leasing processes for offshore wind, and we think it should be possible to align the transitional arrangements and switch-over for offshore wind to best suit the next seabed leasing round(s) and we commit to working with ESO on this. To assure ongoing cross-industry support for connections reform, we recommend that ESO ensures that governance arrangements for the implementation period and transition best represents Government and industry stakeholders and provides suitable visibility and due consideration of other wider system reforms. A body such as the Transmission Networks Board (developed to govern the Offshore Transmission Networks Review (OTNR)) could be considered for this purpose.

2 The Crown Estate

2.1 Who we are

The Crown Estate is a purpose-driven and unique business with a diverse portfolio. We manage the seabed and around half the foreshore in England, Wales, and Northern Ireland, playing a fundamental role in the sustainable development of these important national assets and using data and evidence to facilitate co-location and greater spatial coordination between activities.

Our ownership also includes a substantial rural portfolio, including the world-renowned Windsor Great Park. Alongside this, we operate some of central London's best places to work, shop and experience, as well as regional retail and leisure destinations across the country.

Established by an Act of Parliament, The Crown Estate works to create social, environmental, and financial value, both now and for the future, for its customers, partners, and the nation. We generate 100% of our net revenue profit for the benefit of the nation, contributing £3 billion to the public purse over the last ten years.

2.2 Our purpose

As a business, we actively deliver against our purpose, which is to create lasting and shared prosperity for the nation. We believe we are well placed to create financial, environmental, and social value holistically today and for future generations, by drawing upon our unique attributes to address long-term trends and national needs. Combining our independence and scale of ownership with our ability to convene multiple stakeholders and take a long-term view with patient financial capital, we can play a significant role in creating and accelerating new opportunities – including for the growth of renewable energy. We drive our purposeful activity through three strategic objectives, to:

- Take a leading role in stewarding the UK's natural environment and biodiversity,
- Be a leader in supporting the UK towards a net zero carbon future, and
- Help create thriving communities and renew urban centres across the UK.

3 Our response

The Crown Estate notes that the consultation has nearly thirty questions and that we are not best placed to provide evidence and/or comment on all of them at this stage. However, we set out below answers in those areas where we consider we can usefully input. This feedback is informed by our statutory duties, strategy, and expertise, and we are happy to continue to engage and offer further input to support the Connection Reform process.

3.1 Responses to specific questions

Q1. Do you generally agree with our overall initial positions on each of the foundational design options and key variations? Are there any foundational design options or key variations that we should have also considered?

The approach to connection arrangements should be fair but recognise the priority status of technologies, according to draft National Policy Statements, in achieving Net Zero and not create any disadvantage for these priority technologies.

In the case of offshore wind, this could necessitate a separate but similar national connection process to complement the nature of seabed leasing processes. As we are experiencing in our Round 5 (Celtic Sea) interactions with the ESO's Holistic Network Design Follow-Up Exercise (HNDFUE), there are benefits to be had in an iterative rather than sequential process - where grid connection information informs offshore wind location choices and vice versa. Subject to effective cooperation between the ESO and The Crown Estate in the strategic planning phase of the future CSNP, there may be merit in the connection process following the outcome of suitably timed seabed leasing processes. We are keen to learn lessons from the Round 4 projects connection outcomes from the HND 2022. As a result, our view is that connection arrangements for technologies such as offshore wind should build on our experiences in the Celtic Sea and ideally be known in advance of future seabed leasing processes.

Q7. Do you agree with our initial recommendation with regard to TMA D (requirements to apply)?

We note the recommendation of a requirement for applicants to have a Letter of Authority ("LOA") to enter into the connections process.

We agree with the ESO that the specifics of the LOA and how this is implemented would need to be determined in detailed design, particularly to ensure that connection process risks are not inadvertently transferred onto landowners. We are committed to working with the ESO to explore the most appropriate LOA arrangement for offshore technologies such as offshore wind, interconnectors, and marine energies (wave and tidal). Our initial view, subject to further detail on this proposal, is that the LOA should be commensurate with having an agreement for lease (AFL) or option agreement with The Crown Estate towards future seabed rights.

We suggest that the LOA process may need to be reviewed, refreshed and developed in multiple stages e.g. at application, at offer, at agreement and at Gate 2. As we have seen in the holistic

network design (HND), connection location outcomes can be significantly different to what might be envisaged at the application stage.

It is important that in the design of the LOA process it does not compel relevant bodies such as The Crown Estate to provide LOAs. We are eager to work with the ESO to ensure appropriate expectations are provided in the LOA process which recognises The Crown Estate's independent role.

Q8. Do you agree with our initial recommendation with regard to TMA E (determination of enabling works), including that it is right to wait until the impact of the 5-Point Plan is known before forming a view on whether further changes to TMA E are required?

We note the ESO's recommendations to introduce measures and levers, such set out in TMA E, that allow grid connections and access in the most timely and appropriate ways, and that these might not always be applied in the same way due to their interactive and compounding effects.

The lever of Anticipatory Investment in the connections process could be particularly transformative if, as ESO states, works can be progressed before they are needed, resulting in lower overall costs and earlier connections. We therefore encourage the ESO's proposal that there should be strong links between the strategic planning process (CSNP) and the connections process, using criteria to ensure that anticipatory investment opportunities are robustly and efficiently identified in a network design process related to connections.

Q9. Do you agree with our initial recommendation with regard to TMA F (criteria for accelerating 'priority' projects)?

We note ESO's initial recommendation to be able accelerate projects that are ready(ier) to connect (TMA F3) as well as projects with certain official designations by Government (TMA F1) and that demonstrate significant consumer and wider economic / societal benefits (TMA F2).

In the draft National Policy Statements for Energy, offshore wind is recognised as critical national priority (CNP) infrastructure in England & Wales. Such prioritisation should be similarly reflected in getting connected to the electricity system and we ask that the ESO takes this into account in the criteria for accelerating projects as the Connection Reform details are developed further.

Q10. Do you agree with our initial recommendation with regard to TMA G (queue management)?

The first come, first served philosophy of the connection queue and queue management has been a contributory factor that has led to overwhelming of the existing connection arrangements. We note that queue management is already part of an ongoing code modification (CMP376) as part of ESO's 5-Point Plan. We also note ESO's recommendation to include reactive queue management where connection capacity becomes available but not to include proactive queue management.

Linked to our answer to Q9 (criteria for accelerating priority projects) we support the principle of capacity gaps being allocated to designated priority projects under the reactive queue management proposals rather than on a first come, first served basis.

Q14. Do you think 'Submit Consent' is too early for Gate 2 in TMO2 to TMO4? If so, what milestone should be used instead and why?

We note the ESO's recommendation to use project consent submission as the milestone to review the initial connection date for the project, leading to a firm connection date and position in the connection queue.

We note that the positions of projects in the queue will still be subject to consent process risk, but we do not think that the submission of consent is too early for Gate 2 in the target model options. For many projects achieving consent is a project milestone critical to ongoing project investment and supply chain decisions and relied upon for contract for difference (CFD) auction participation, and as a result would be too late to use as a milestone on which to base a review of connection dates.

Further work is required to determine how reactive queue management can be applied to priority projects subsequent to Gate 2 and subject to successfully achieving consent.

Q15. Do you agree that TMO4 should be the preferred TMO?

We are supportive of changes that will streamline delivery, remove wasteful effort for all stakeholders, and achieve more coordinated outcomes for our energy system as we work towards achieving Net Zero by 2050 for the nation.

We see the merits of the ESO's recommended target model option (TMO4) amongst all options set out. We do not offer other alternatives, rather we ask that ESO brings forward further details based on feedback from this consultation exercise in order to help stakeholders support final recommendations in coming months.

In the draft National Policy Statements for Energy, offshore wind is recognised as critical national priority (CNP) infrastructure in England & Wales. Such prioritisation should be similarly reflected in getting connected to the electricity system and we ask that the ESO takes this into account in the Connection Reform proposals as they are developed further.

In all target model options we note that the ESO will require applicants to have a Letter of Authority ("LOA") from a landowner. We recognise that further detail is needed to explore this option further and ensure that connection process risks are not inadvertently transferred onto landowners. We are committed to working with the ESO to explore the most appropriate LOA arrangement for offshore technologies such as offshore wind, interconnectors, and marine energies (wave and tidal). Our initial view, subject to further detail on this proposal, is that the LOA should be commensurate with having an agreement for lease (AFL) or option agreement with The Crown Estate towards future seabed rights.

We note in the summary comparison of all four target model options, that the windowed Gate 1 process is initially estimated to be over a 12-month period. We would like to understand what criteria ESO consider will be necessary in order to reliably and consistently meet or beat that timescale, taking into consideration the experience of the holistic network design and follow up process. For example, will a cap be applied on the number of applications per window (whether nationally, regionally or per technology type). As mentioned, in such circumstances priority access should be given to priority projects as designated by Government.

Please take this response into account in relation to Qs 16, 17 and 18

Q23. Do you agree that TMO1 to TMO3 would require a separate offshore process, and that this would result in material disbenefits?

Q24. Do you agree that TMO4 is the most aligned to the direction of travel for offshore projects? If not, why?

The windowed Gate 1 process of TMO4 is similar to the approach taken by ESO in the holistic network design (HND) and follow up exercise (HNDFUE) over the last 2 years to generate network design recommendations for offshore wind projects. These gated/windowed processes in the HND and HNDFUE are offshore wind technology specific, and have been affected by all other technologies continuing to apply to ESO on a first come, first served basis. Having one window for all technologies would therefore be helpful.

The timing and sequencing of the connection / network design process should complement the nature of seabed leasing processes for offshore wind. As we are experiencing in our Round 5 (Celtic Sea) interactions with the ESO's HNDFUE, there is benefit to be had in an iterative rather than sequential process - where grid connection information informs offshore wind location choices and vice versa.

Building on our experiences in the Celtic Sea our view is that connection arrangements for offshore wind should ideally be known in advance of future seabed leasing processes. As a result, the interaction between the connection process and the CSNP process will be key and we commit to work closely with the ESO at the strategic planning level, using our Whole of Seabed spatial evidence and offshore delivery route-map proposals, to inform ESO of future deployment of offshore wind and so inform the timing and sequencing of seabed leasing processes and associated connection processes.

Q25. Other than the Letter of Authority differences are there any other TMAs which have specific offshore considerations?

As mentioned, the timing and sequencing of the connection / network design process should complement the nature of seabed leasing processes for offshore wind, with linkages to CSNP and our offshore delivery route-map proposals. We commit to work closely with the ESO to ensure that any other target model add-ons are considered to support ESO's final recommendations.

We note that the nature of the LOA process may well be different for structured seabed leasing processes such as for offshore wind and other marine energies compared to an LOA process for interconnectors and other ad-hoc seabed leasing processes.

Q28. Do you agree with our current views in respect of the implementation period?

We recognise the potential for significant change if TMO4 or similar was taken forward. We appreciate the sign-posting of the implementation period, giving the industry at least 2 years to continue to engage and prepare. It is vital that changes are introduced early, as and when they can over that period, as part of transition planning. What will be most important in our view is the immediate period leading to the conclusion of final recommendations and for the ESO to ensure that this is achieved with industry support.

To assure ongoing cross-industry support, ESO should ensure that governance arrangements for the implementation period best represents industry stakeholders. A body such as the Transmission Networks Board (developed to govern the Offshore Transmission Networks Review (OTNR)) could be considered for this purpose.

Q29. Do you agree with our current views in respect of transitional arrangements? What are your views on how and when we should transition to TMO4?

The transitional arrangements; information, process, timing and duration, will be vital. As mentioned in our answer to Q28, we think that wherever possible changes should be introduced as and when they can over the implementation period, as part of transitional arrangements, to mitigate the impact of switch-over.

Linked to our view the timing and sequencing of the connection / network design process should complement the nature of seabed leasing processes for offshore wind, we think it should be possible to align the transitional arrangements and switch-over for offshore wind to best suit the next seabed leasing round(s) and we commit to working with ESO on this.

Q30. What further action could Government and/or Ofgem take to support connections reform and reduce connection timescales, including in areas outside of connections process reform?

There are numerous energy system reform proposals being proposed by Government and Ofgem. To assure ongoing cross-industry support for connections reform, we recommend that ESO ensures that governance arrangements for the implementation period best represents Government and industry stakeholders and provides suitable visibility and due consideration of other wider system reforms. A body such as the Transmission Networks Board (developed to govern the Offshore Transmission Networks Review (OTNR)) could be considered for this purpose.

4 Concluding remarks

We trust that you will find our comments on the consultation constructive. We are committed to continue engage with ESO on Connection Reform and willing to provide additional information on any of the points we have raised.

All of this response may be put into the public domain and there is no part of it that should be treated as confidential.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "CG", written in a cursive style.

Chris Gent,
Energy Policy Manager