

Date 30 June 2017

Nicola Medalova
Head of Market Change (Electricity)
National Grid
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Dear Nicola,

Open letter consultation: Investment Ahead of TEC guidance document

EDP Renewables ("EDPR") is a leading renewable energy company headquartered in Madrid, Spain that develops, manages and operates power plants that generate electricity using renewable energy sources. EDPR was incorporated in 2007 with the clear objective of supplying a growing number of geographies with low carbon and renewable energy, EDPR has quickly grown to become a global company and a leader in the market. EDPR is among the world's largest companies in terms of production in the wind sector, with a global portfolio of ca. 10 GW of installed capacity.

EDPR entered the UK market in 2010 and is focusing its offshore wind energy development activities from its Edinburgh office. EDPR UK manages all worldwide offshore operations. At present, EDPR has interest in UK offshore wind project Moray Firth (Zone 1) of the Round 3 Crown Estate Tender totalling a consented capacity of 1116 MW. In addition, EDPR has a strategic partnership with Engie in France to develop offshore wind projects as part of the French Round 2 tender.

Thank you for the opportunity to comment on the proposed changes to the Investment Ahead of TEC guidance document. On this matter in general, EDPR believes that there is no clear basis under the CUSC or under National Grid's licence for National Grid to apply such charges. Therefore we consider that an amendment to the CUSC needs to be made in order to codify a transparent basis for any such charges.

The open letter states "These changes have been developed following ongoing engagement with our customers and a number of months working to deeply understand the cost impact felt by Transmission Owners when a request leading to early transmission investment occurs." We do not think that the guidance note provides a clear explanation of the "cost impact felt by Transmission Owners" and we would welcome further information in this regard. We find it difficult to understand the purpose of the change to the guidance document. We think it would be more beneficial for National Grid to clearly explain the defect in the CUSC that is resulting in this "cost impact" so that an amendment to the CUSC can be developed to address the defect.

We would also like to highlight that we think that National Grid need to acknowledge the impacts of this proposal on power generation development projects that are dependent on the Contracts for

Difference (CfD) regime. Due to the nature of the competitive auction process associated with the CfD regime it is inevitable that generators that are unsuccessful in a CfD auction would be required to modify their grid connection date(s) in preparation for subsequent auctions; or to modify their grid connection date in line with the delivery years specified in a CfD auction. We believe that there should be some level of carve out to charges / protection for generators that are required to modify their grid connection date as a result of the CfD regime; otherwise there is a risk that the potential liability for charges could become a significant disincentive to developers of power generation projects, who are already have to manage the level of development risk that is inherent under the CfD regime.

In response to the specific consultation questions raised in the letter:

1. Do you agree with the principle that inefficient costs related to early transmission investment, which occurs as a result of a Customer request, should be recovered from the customer who makes the request?

We agree with the general principle that costs should be allocated to the party that causes the costs / loss, however in the case of delay charges we think that it would only be acceptable to charge delay charges to a generator if:

- It can be demonstrated that there are costs / a loss to the Transmission Owner.
- It can be shown that it is reasonable that the costs / loss should be attributed solely to the generator (and are not caused by third-party delays such as the CfD regime).
- An accurate, transparent and fixed spend profile can be provided that shows the costs that are attributable to the generator.
- Sufficient advanced warning is given of any charges that may become payable.
- The generator is engaged in decision making with the Transmission Owner (and System Operator if required) and there is provision for a decision point, which is the point when the generator knows it would become liable for charges.
- The Transmission Owner has an obligation to mitigate costs such that charges are limited.

Furthermore, any delay charge arrangements that are developed should not become a significant disincentive to the development of power generation projects, particularly in relation to projects developed under the CfD regime (as noted above).

As stated above, we believe that the defect in the CUSC should be clearly explained and a CUSC modification should be raised to address the defect.

2. What are your views on the changes we are proposing to the guidance note and methodologies?

As stated above, we believe that the defect in the CUSC should be clearly explained and a CUSC modification should be raised to address the defect.

3. What are your views on the benefits of publishing separate guidance notes for each of the two charges currently outlined in the guidance document?

We believe that the two issues – investment ahead of TEC and backfeed – should be dealt with separately.

We think that further assessment is required to confirm if backfeed charges are appropriate, cost reflective and allowable under current CUSC arrangements.

We would like to highlight the following points in relation to the potential for backfeed charges, particularly in relation to offshore wind farms where the generator has a “generator-build” connection agreement:

- The date for the backfeed from the onshore Transmission Owner may be driven by the OTSDUW (Offshore Transmission System Development User Works) party, rather than the generator. The development of the OTSDUW programme between the generator and National Grid may result in an earlier backfeed than originally anticipated by the initial connection agreement. The guidance note states that National Grid assumes that backfeed would only be required a few weeks ahead of generation commencing. We disagree with this statement in relation to offshore wind farms because the nature and extent of offshore transmission assets would require backfeed for the commissioning of the transmission assets alone to be for a period of more than “a few weeks”. This should not result in charges to the generator.
- The timescales for backfeed can be impacted greatly by the need to coordinate with Transmission Owner works, associated outages and their coordination with seasonal restrictions. There is added complexity for offshore wind farms because of the potential conflict between outage windows for onshore transmission works and weather windows for offshore transmission works. If backfeed is provided in late summer / early autumn then the weather over the winter period can restrict the OTSDUW party and generator from making use of the backfeed for their commissioning works. This should not result in charges to the generator.
- Any potential charges would need to recognise where the original date for Transmission Owner works is earlier than required by the generator’s programme in order to suit the Transmission Owner’s delivery programme (e.g. to combine with other works that are being undertaken). This should not result in charges to the generator.

4. Are there any further changes you would like to see made to the guidance note?

We believe that an amendment to the CUSC is required rather than the use of the guidance note.

EDPR would be happy to discuss further any of the points above with National Grid. We look forward to receiving an update from National Grid following this consultation process.

Yours sincerely,



Sarah Graham