

WINDEUROPE WORKSHOP

Price vs beauty: evolving allocation models for offshore wind sites

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AGENDA

- Introduction to SSE Renewables
- Comparing different regimes
- UK models for seabed leasing
 - ScotWind (Scotland)
 - Round 4 (England & Wales)
- What works well
- Possible future approaches to offshore wind development in the UK



INTRODUCTION TO SSER

- Portfolio of 4GW of onshore wind, offshore wind and hydro across UK and Ireland.
- Currently building more offshore wind than anyone other company in the world (~5GW), including the world's largest offshore wind farm at Dogger Bank
- Together with Marubeni and Copenhagen Infrastructure Partners, we are participating in ScotWind
- Through our £12.5bn 'Net Zero Acceleration Programme' we will have the scale to enable the delivery of over 25% of the UK's 2030 offshore wind target of 40GW
- Expanding into other offshore wind markets, including Japan, Denmark, U.S., Poland, Spain and Portugal



TYPES OF SEABED LEASE REGIMES

| Seabed only | |  |
|--|---|--|
| Pros | Cons | |
| <ul style="list-style-type: none"> Large areas offer developers opportunity to identify optimal sites | <ul style="list-style-type: none"> Longer development timelines needed for permitting and then offtake Consent risk Offtake risk | |

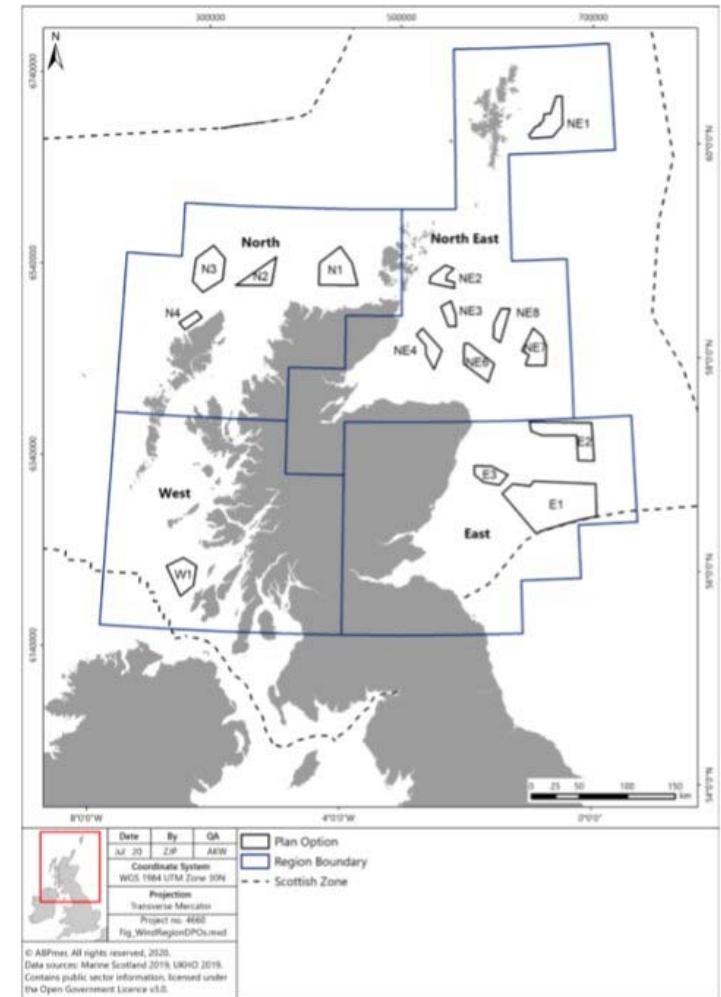
| Seabed + Offtake | |  |
|--|--|---|
| Pros | Cons | |
| <ul style="list-style-type: none"> Lower risk profile as a lot of consenting and grid risk is removed Development times can be reduced | <ul style="list-style-type: none"> Significant delays can represent poor consumer value Trend to low value offtake | |

| Price capped 'beauty contest' | |  |
|---|---|--|
| Pros | Cons | |
| <ul style="list-style-type: none"> More focus on project quality and developer capability Can limit cost inflation impact on power prices/ projects/ supply chain Opportunities to drive behaviour towards policy outcomes such as Innovation, supply chain development, P2X | <ul style="list-style-type: none"> Seabed holder not maximising revenue from the process | |

| Uncapped auction | |  |
|--|---|---|
| Pros | Cons | |
| <ul style="list-style-type: none"> Maximise revenue for the seabed holder | <ul style="list-style-type: none"> Favours larger balance sheets and could limit competition Doesn't necessarily lead to the most capable developer winning Extremely high lease fees could lead to higher power prices, reducing project returns and reducing local economic benefits | |

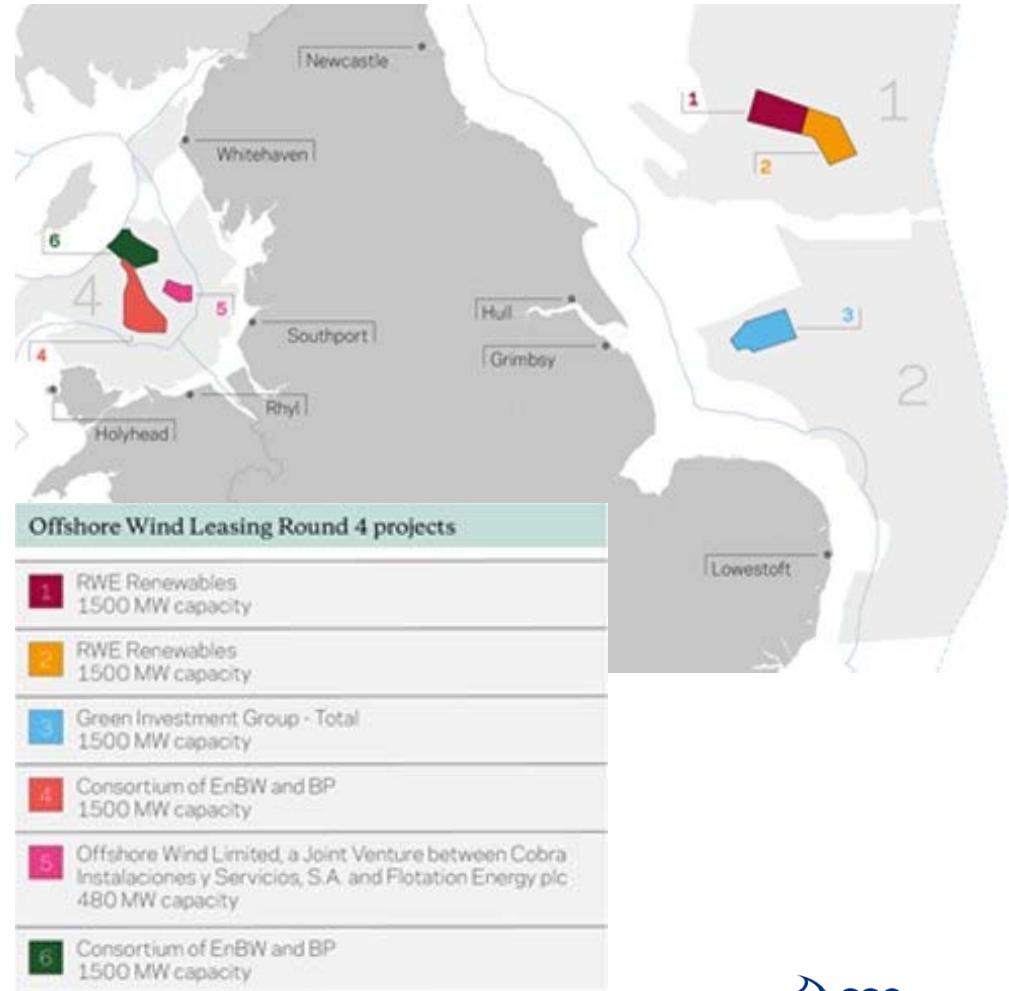
SCOTWIND

- Qualitative & Quantitative structure with fee cap
- Key things for the client:
 - Technical capability
 - Financial standing
 - Site credibility & development plan
 - Preparedness
- 10-year Option Agreement
- Development risk and offtake risk exposure
- Sectoral Marine Plan de risked development aspects
- Process
 - Duration
 - Communications & clarifications
 - Evaluation



UK R4

- Competing for 10-year Option Agreement for sites within four large areas
- Process:
 - Pre qualification
 - Stage 1 – Sites selected & plans
 - Stage 2 – Bid, daily auction, uncapped
- Development risk and offtake risk exposure
- Habitat assessment retrospective, increases development risk



WHAT WORKS WELL

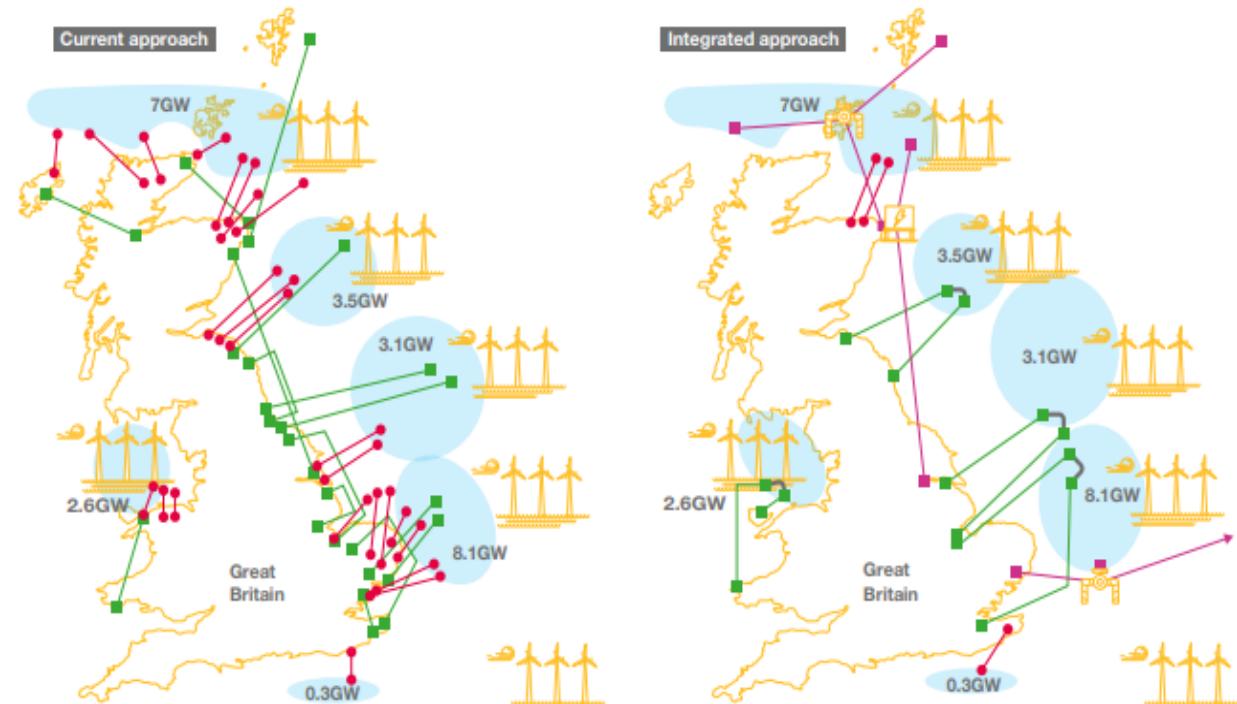
- ✓ Regular rhythm of competitions clearly aligned to Government Net Zero pathways
- ✓ Early developer/ seabed holder engagement to inform site selection
- ✓ Shared site information to de-risk development/ grid connections/ avoid duplicative developer work/ shorten timeline
- ✓ Clear language, process and evaluation measures including price caps
- ✓ Open communication channels & tutorials
- ✓ Fixed milestones and timeline
- ✓ Robust IT platforms, website portals, auction tools, and document library
- ✓ Defined route to permitting and delivery



HOW THE UK MODEL IS EVOLVING

Moving to a more centralised & coordinated approach to offshore transmission

- A more coordinated approach to offshore transmission is needed to deliver on the UK's offshore wind ambitions in the timescales required
- Coordinated approach should **deliver fewer cables, reduced landfall locations and improved consumer savings** compared to radial point-to-point connections



Comparing approaches of the
GB Network Design in 2030

Source: National Grid ESO

|| LOOKING TO EUROPE

Possible new approaches to offshore wind development

- The UK Government is also consulting on exploring the possibility of **combining the seabed lease auction with the allocation of government support into a single competitive process** for projects commissioning post-2030
- Models being explored:
 - German model** - single competitive process followed by developers seeking planning permission
 - Dutch model** - single competitive process with construction permits granted at the same time



SUMMARY

- Variety of leasing models exist with different pros/ cons. Pricing caps can provide more chance of optimal developer/ project choices and more favourable policy/ socio economic outcomes
- Aligning leasing opportunities with deployment ambition, grid infrastructure & consenting capability is key
- Visibility and stability of opportunities is attractive
- Lots of opportunities ahead to share best practice and optimise leasing competitions across the industry

