

ScotWind Leasing

Seabed leasing for new offshore wind farms

Summary of responses to pre-launch documentation and update on leasing design



In July 2019 we published pre-launch documentation for ScotWind Leasing, inviting comment from stakeholders.

The aim of this was to help developers prepare to apply to ScotWind Leasing when it is fully launched in the near future, and give us the opportunity to fine-tune the arrangements in response to feedback, helping ensure that the leasing runs smoothly.

A diverse mix of stakeholders provided us with useful comments and ideas on how we might make new offshore wind leasing in Scotland work in the best way possible. This document provides a summary of this feedback and outlines our further thoughts on some aspects of the leasing design. We do not repeat information from the pre-launch documents; the responses below complement the existing information.

Topics covered include:

- Offer Document
- Guidance Notes
- Registration Form
- Application Form

We will continue working with the responses to the pre-launch documentation in shaping the final leasing design. If you have any comments or queries on this summary, please email scott.ross@crownestatescotland.com or call 0131 260 6070 to speak to Scott Ross, Leasing Coordinator.

General

Subject	Stakeholder feedback	Crown Estate Scotland response
Multiple Applications and use of Registration Form	<p>Stakeholders requested some additional clarity around the process of submitting multiple applications.</p> <p>We received questions on whether a single application can be used to apply for multiple projects and whether applicants submitting multiple applications can nominate the same resource across multiple applications.</p>	<p>A separate registration form should be completed for each application an applicant intends to make; each application requires separate registration form. Any Application Forms submitted by Project Partners other than the previously registered Lead and Sole Applicant/Lead Applicant will not be accepted.</p> <p>The number of applications which a Lead Applicant or Sole Applicant intends to make may not be known with certainty at the time of registration and we recognise that some registrations may not be followed through with a full application. Submission of a Registration Form is necessary to be eligible to submit an application and pay the application fee, but submission of a Registration Form does not commit an applicant to making an application or paying the application fee.</p> <p>Applicants submitting multiple applications may nominate the same resources across more than one application, providing an explanation of how the applicant will practically manage this is provided in the response to Parts C and D.</p>
Target capacity and densities	<p>Stakeholders wanted to understand our thinking behind the potential capacity of new offshore wind ScotWind Leasing could enable.</p> <p>There were also questions received on the rationale behind density figures included throughout the pre-launch documentation, and the relative areas of option agreement and lease.</p>	<p>For the first cycle of leasing, we can see potential appetite for multiple GW of new offshore wind capacity in Scotland over the period which will be covered by Marine Scotland's forthcoming SMP. ScotWind Leasing is designed to accommodate applicant interest at this scale. Following detailed consideration, however, we will not define our own upper limit on seabed area awarded in this cycle of ScotWind Leasing. If any limits are defined in the SMP that relate to ScotWind Leasing then those will be reflected in the final arrangements.</p> <p>The spatial densities included in the Offer Document are designed to encourage responsible development of the seabed under Crown Estate Scotland agreements. On reflection, and to provide flexibility to enable the best projects to be delivered from the ScotWind process, we will keep the density requirements to be 1MW/ km² for the Option Agreement but will reduce the density requirement for the Lease form 4 MW/km² to 3MW/km². We do not consider the thresholds as likely constraints to development.</p> <p>These densities suggest that in a straightforward situation the total area under Lease might be 1/3 of the total area under Option Agreement. Different ratios of area could be achieved within these density limits, for example if more than or less than the originally intended capacity was installed. The Option Agreement also allows for the possibility that the actual densities may depart from the limits, if suitable justification emerges as the site is developed.</p>
Sectoral Marine Plan for Offshore Wind	<p>There was concern expressed regarding the chance that part of the Option Area of a successful application could fall outside the adopted SMP plan option areas.</p> <p>Questions were raised about whether ScotWind Leasing would invite applications in all or only some of the areas of seabed identified in the SMP.</p>	<p>The closer our leasing timescales align with Marine Scotland's Sectoral Marine Plan ("SMP"), the more likely it is that developers will have the right information at the right time to aid decision-making. Given that it is the final adopted SMP that will provide developers with certainty regarding best locations for projects, we have decided to refine our approach from that described in the pre-launch: the leasing launch will occur after the publication of the Draft SMP; and the closing date for applications will be set to be after the SMP is finalised and adopted. This approach removes the risk which was present in the approach set out in the pre-launch documentation, that successful applicants might receive Option Agreements whose areas fell outside the areas identified in the Adopted SMP.</p> <p>We anticipate that work on preparing applications can commence once the Draft SMP is available so we will aim to set a closing date for applications that is reasonably soon after the adopted SMP is published to avoid undue delay to the overall timescale. We will ensure that the closing date we select will permit sufficient time for applications to be prepared.</p> <p>We intend to invite applications in any seabed which is identified in the adopted SMP as being a preferred area of development for commercial scale offshore wind. We will leave it to applicants to form a view about the implications of any detailed characterisation of areas (whether temporal, spatial or otherwise) set out in the SMP on their ability to develop a project successfully within the parameters of ScotWind Leasing.</p>



<p>Sustainability of Offshore Wind in Scotland</p>	<p>Stakeholders were keen to understand what may be included in the ScotWind Leasing application process regarding sustainability of offshore wind development in Scotland.</p> <p>We received questions on whether there will be specific supply chain obligations on the developer or incentive mechanisms within ScotWind Leasing agreements to encourage supply chain benefit within Scotland.</p>	<p>Work is currently being undertaken to explore how ScotWind Leasing can support the sustainability of offshore wind development in Scotland.</p> <p>Our approach will be finalised prior to the launch of ScotWind Leasing.</p>
<p>Face-to-face sessions and communications</p>	<p>We were asked if there would be any face-to-face sessions during the ScotWind Leasing evaluation process.</p> <p>There were also questions on when we will provide further updates on process design and intended timelines.</p>	<p>Crown Estate Scotland will provide details for a ScotWind Leasing launch session or sessions in due course. Session(s) will be open to those interested in applying to ScotWind Leasing and those keen to hear about the finalised design of the process. Once the application process has commenced, we will route all material communication via written form to ensure any communication is fair, transparent and repeatable.</p> <p>We provided an update on timing in our latest ScotWind Leasing update here. This update outlined how, to ensure full alignment with SMP development and take into account Marine Scotland's ongoing work on the Plan, we will not launch ScotWind Leasing in October 2019. ScotWind Leasing will now launch following publication of Marine Scotland's Draft SMP, which is expected in Autumn 2019.</p>
<p>Editable versions of Registration form and Application Form</p>	<p>Will editable versions be made available?</p>	<p>For pre-launch, only PDF formats were provided but when ScotWind Leasing is launched we will also make available editable versions of the forms.</p>

Offer Document

Subject	Stakeholder feedback	Crown Estate Scotland response
<p>Application and evaluation</p>	<p>Stakeholders requested some more clarity on the application process and subsequent evaluation of applications.</p> <p>There were specific questions on the types of organisations that may be involved in an application, the application fee, the levels of Applicant Valuation, the process of grading and detailed numerical assessment and the process of ranking applications if there is an upper limit on seabed award.</p>	<p>Offer Document Section 3 indicates that organisations applying to ScotWind Leasing, and organisations entering Option Agreements, must be incorporated companies. The Option Agreement is designed to ensure that the resources, capabilities and experience which were available to the Lead Applicant (and Project Partners) that were material to the application will remain available to the Tenant Organisation.</p> <p>Detailed information on the Applicant Valuation levels will be provided in the final launch documentation.</p> <p>We will explain the detail behind the process of coarse grading and detailed numerical assessment in the final launch documentation. Our aim is to make ScotWind Leasing a transparent process and the explanation of these elements of the evaluation will be critical to ensure this transparency in decision making.</p> <p>The application process has been designed so that applicants will not need to repeat detail in their submitted responses. Applicants may assume that responses given in one section will be considered when other sections are reviewed, where there is a connection between the two.</p> <p>There will not be an appeal process in relation to evaluation of an application.</p>



<p>Option Agreement</p>	<p>We received some questions around specifics of the Option Agreement. This included requests for clarification on the Option Fee, how many Option Agreements a single entity may be involved in and whether there are restrictions on applicants taking on additional projects after the leasing process is complete.</p> <p>There were also questions on the Option Agreement milestones – what these are likely to be and what time frame will be associated with each.</p> <p>Stakeholders also provided comment on the duration of Option Agreements, with some asking whether there is scope for the term of ScotWind Option Agreements to be longer than 10 years.</p>	<p>Payment of the Option Fee is required at the time of signature as a one-off single fee for the duration of the Option Period.</p> <p>In our pre-launch documentation we stated that no single organisation will be allowed to have involvement in more than half of all the sites awarded in a cycle of leasing. Instead of allowing an unlimited number of applications but limiting the number of Option Agreements, we have changed our approach and will limit the number of applications that an organisation may be involved in, to no more than five. This limit will apply to organisations which have any delivery-related role in a proposed development, such as contributing capabilities or experience. The limit will not apply to organisations which contribute funds alone, with no wider role in the proposed development.</p> <p>Once Option Agreements have been signed with successful applicants, any future requests relating to Option Agreements (e.g. an Option Agreement holder seeking to involve themselves in additional projects) will be considered by Crown Estate Scotland according to the situation at the time, taking into account Option Agreement holder's resource availability and other necessary considerations. The ScotWind Leasing rule limiting the number of applications which an organisation may be involved with will not itself be carried through rigidly into our subsequent management of Option Agreements.</p> <p>The option period covered by ScotWind Leasing Option Agreements will be up to 10 years (according to the duration selected by the applicant). After careful consideration, we believe that this option period is appropriate to encourage responsible development sites. There was also consideration given to the fact we intend to run subsequent cycles of ScotWind Leasing.</p>
<p>Clearing</p>	<p>We received requests to clarify our thinking behind the proposed 50km buffer for newly awarded Option Agreements and Clearing requests.</p>	<p>We stated in our Draft Offer Document that we were considering a buffer between newly awarded Option Agreements and Clearing requests of 50 km.</p> <p>We wish to take a cautious approach to allocating additional seabed adjacent to newly awarded agreements. In the initial competition, we can rely on the tendency of most applications to focus on prime locations within an area to reduce the likelihood of Option Agreements to be closely grouped, because direct competition within an area will result in one or a few strong applications being accepted in an area. With Clearing requests, the location of the recently awarded Option Agreements will be already known which means there would not be the same mechanism to naturally limit the number of additional Option Agreements in an area. Having a 50 km buffer does not prohibit Clearing requests with smaller separations from recently awarded sites, but does provide a trigger for agreement to be required from the new Option Agreement holder.</p>
<p>Timing</p>	<p>Stakeholders commented on the short turn-around from launch to registration, and that a four- or five-month application window is not sufficient for preparing a sufficiently detailed and robust application for submission.</p> <p>We also received comments relating to the suggested very short confirmation window for applicants to confirm their intention to accept an Option Agreement. Stakeholders included comment that this short duration may not be practical.</p>	<p>The Registration stage of the process is an administrative step that will allow Crown Estate Scotland to collect details needed to communicate with applicants and facilitate payment of the Application Fee. The Application Fee will only be due once the application is submitted – meaning that registration does not necessarily require organisations to submit an application and pay the associated fee.</p> <p>We have decided to simplify our approach and remove the requirement for confirmation of intention to enter an Option Agreement with a quick turnaround. Instead, we will resolve any competing interest amongst the full set of applications, then invite all successful applicants to sign Option Agreements and pay the associated option fees within a fixed timescale of a number of weeks. Applicants will be notified of the status of all their successful applications at this point. After that, should any successful applicants decline Option Agreements, we will re-run the process of identifying successful applications in light of the removal of those applications which have been signed and any which have been withdrawn – meaning that the set of previously unsuccessful applications (whether because of being directly out-competed, or because of the operation of a limit arising from the SMP) will provide a pool of reserve bidders. It will not be possible to give the status of reserve bidder to specific applicants when the first batch of successful applicants is identified, because the next application in line may be different according to which of the previously selected applications is declined. Clearing will be available after these initial two batches of offer and acceptance, or after a single batch of offer and acceptance should all successful applicants accept the agreements that are offered.</p>

<p>Financial Securities</p>	<p>Stakeholders were keen to understand a bit more about the financial securities Crown Estate Scotland will require under ScotWind Leasing agreements.</p> <p>This included requests for detail on whether these securities would be separate for the Option Agreement and Lease, what kind of amount these securities would be, and if there was scope to gradually decrease the guarantee as development milestones were successfully achieved/gradually build-up the scale of guarantee required for decommissioning obligations nearing the end of the Lease Agreement.</p>	<p>Crown Estate Scotland will require separate guarantees for the Option Agreement and Lease; appropriate values will be set at the time of agreement signature, and the approach will be indicated in the Offer Document when ScotWind Leasing is launched.</p> <p>Regarding decommissioning, Crown Estate Scotland is responsible for non-statutory decommissioning of assets under lease and matters relating to statutory decommissioning will be dealt with directly with Scottish Government.</p>
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Guidance Notes

Subject	Stakeholder feedback	Crown Estate Scotland response
<p>Evaluation Criteria</p>	<p>Stakeholders sought further detail on evaluation including clarity on how some detailed aspects (including control and monitoring systems and suitability of turbine for a site).</p> <p>Stakeholders suggested some forward-looking areas of evaluation may be of limited value and may prove challenging to accurately describe in an application.</p>	<p>Full details of the evaluation basis will be provided when ScotWind Leasing is launched, in Section 12 of the Guidance Notes.</p> <p>We will take account of this feedback as we finalise the evaluation approach.</p>
<p>Funding and financial resources</p>	<p>Feedback raised questions about whether the strength of funding commitment required as drafted was appropriate to the circumstances, and whether the assessment of financial resources was consistent across alternative financing routes.</p>	<p>Crown Estate Scotland is seeking tenants with the necessary resources to provide confidence that obligations will be fulfilled. This certainty can be provided by a range of funding models if the supporting evidence is available as part of the submission package. The final approach for ScotWind Leasing will seek to maintain this position while taking account of this feedback.</p>

Registration Form

Subject	Stakeholder feedback	Crown Estate Scotland response
<p>Alternate parties</p>	<p>A question was raised as to whether the main and alternate contacts could be from different organisations.</p>	<p>The role of Lead Applicant or Lead and Sole Applicant is to be the single legal entity which is contact point for an application and in the case of a Lead Applicant, will send and receive information on behalf of all the Project Partners. The Registration Form establishes this contact point and so all individuals identified on it must be from the same legal entity which will be the lead contact.</p>
<p>Duration of registration period</p>	<p>How long will the registration period be?</p>	<p>The final timetable will be confirmed when ScotWind Leasing is launched.</p>

Application Form

Subject	Stakeholder feedback	Crown Estate Scotland response
Site Selection	Will Crown Estate Scotland indicate which areas identified in the Sectoral Marine Plan are within 5km of existing windfarm agreements?	Applicants are free to select the boundary of their application area, so even if an area identified in the Sectoral Marine Plan contains seabed which is within 5km of an existing windfarm agreement it may still be possible for an applicant to select a boundary for their application that does not come within the minimum separation. Information about the location of existing windfarm agreements is available at: https://www.crownestatescotland.com/maps-and-publications/
Option Fee	How is the Option Fee calculated?	The Applicant Valuation proposed in the application is a valuation denominated in £ per km ² . The area of seabed covered by the Option Agreement will be a certain quantity of km ² . The Option Fee payable is calculated by multiplying the Applicant Valuation by the area of the Option Agreement.
Option Period duration	Why allow option period to be selected by applicants?	Applicants are given the choice of the period for which wish to be subject to the obligations that apply prior to option call.
Page count	How will page count be applied; what is the treatment of pages of different format?	The page and word limits will be applied strictly: information which exceeds a limit will be disregarded in the evaluation. Where the limit is expressed as a number of A4 pages, any pages of A3 format count as two A4 pages, and similarly for other page formats.
Turbine selection	Does the selected turbine need to be a commercially available turbine or can it be a conceptual turbine being developed by a manufacturer and planned to be available during the completion of the project?	Turbines identified at the application stage need not be commercially available, but should be appropriate for the proposed location and project timescales.
Development budget	Does the level of accuracy for the budget estimates need to be stated?	The final Offer Document, including Section 12 which details how evaluation will be undertaken, and Guidance Notes relating to Part E question 1 will give information about what is required in an application. The pre-launch versions did not indicate a requirement for level of accuracy to be included.
Preparedness	Questions were raised about what amounted to preparedness which would be given credit.	We do not intend to be prescriptive about preparatory steps; our evaluation will consider the positive impact of any preparatory steps for which evidence is provided.
Non mandatory finance questions F3.7 and F3.8	Why is there reference to “each project” rather than “the project” that is the subject of the application?	Questions 3.7 and 3.8 request information about financing of previous projects, of which there may be several, rather than information about the intended future project which is the subject of the application.

Option Agreement and Lease

The closing date for comments on these two documents has not yet passed. We will summarise the feedback we receive and our response to it in due course as appropriate.