



Reference P/2006/250
Date 20 November 2006

REAPING THE WIND RESOURCE

Licensing green energy links from offshore renewables

Harnessing the wind that whips across the sea around Britain will make a significant contribution to the UK's renewable energy targets in future years. This was the message from Lord Truscott, Parliamentary Under Secretary for Energy, today as the DTI and Ofgem launched a joint consultation on the licensing regime for the transmission of power from future offshore wind farms to the electricity networks.

Major investment is required for projects of this type, therefore a licensing regime is needed so that the links for transporting electricity ashore can be built in the most cost-effective way for generators and customers.

The DTI and Ofgem's aim is that these networks are developed as efficiently as possible and the consultation document published today examines two options for licensing offshore transmission:

1. Non-exclusive system – enabling competition between many licensed transmission owners to provide offshore grid connections.

2. Exclusive system – licensing a number of transmission owners in different areas to provide offshore grid connections.

Lord Truscott, Parliamentary Under Secretary for Energy said: “The Energy Review set out ambitious plans for a five fold increase in the amount of renewable energy that is produced in the UK. A considerable amount of that will come from offshore wind farms and potentially marine energy too. Therefore, it is vital that we put the systems in place to exploit the power from our seas. Establishing the transmission regime will be another step in the right direction.”

This regime will be a key element in the production of clean energy from offshore wind farms after the consent and construction phases. The economic incentives under the Renewables Obligation provide the final piece in the development puzzle.

Ofgem Chief Executive, Alistair Buchanan, said: “There is great potential for offshore renewable generators to make a big contribution to Britain's energy markets and climate change programme. It is therefore important that a system is put in place to ensure that the links they require to get their electricity to shore are developed in the most cost-effective way.”

Notes to Editors

1. For a copy of the consultation document click here:
<http://www.ofgem.gov.uk/ofgem/index.jsp>
2. Following a preliminary consultation in 2005, the Government announced on 30 March 2006 that it has decided the form of regulation to be applied to offshore transmission would be a licensed price control regime, implemented through a system of licences, industry codes and industry standards. This is broadly similar to the onshore regime, where the licensed monopolies (transmission owners and GBSO) are subject to a price control administered by the Gas and Electricity Markets Authority (Ofgem) aimed at increasing the efficiency of historical assets (infrastructure – cables, substations, etc) over time.
3. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the

Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

4. The Government's main mechanism for encouraging the growth of renewable energy in the UK is the Renewables Obligation (RO). Introduced in April 2002, the RO requires all licensed electricity suppliers to source an increasing proportion of their electricity supply from eligible sources of renewable energy, and provides a strong financial incentive for them to do so. The current target is 6.7% for 2006/07 rising to 15.4% by 2015/16. It is expected that the Obligation, together with exemption from the Climate Change Levy for electricity from renewables, will provide support to industry of up to £1 billion per year by 2010.

For further press information contact about Ofgem contact:

Chris Lock 020 7901 7225 / 07766 511470

Mark Wiltsher 020 7901 7006 / 07774 728971

Julia Collings 020 7901 7217

For further press information contact about the DTI contact:

Press Enquiries 020 7215 5960

(Out of Hours) 020 7215 3234/3505