

Offshore Transmission Team  
Office of Gas and Electricity Markets  
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Dear Offshore Transmission Team

EDF Energy welcomes the opportunity to respond to the document, Offshore Electricity Transmission – A Joint Ofgem/BERR Regulatory Policy Update.

We agree with the approach that you suggest. The proposals for the tender process are reasonable and it is sensible that offshore generators are to be responsible for gaining the necessary consents and leases, to be transferred to the successful OFTO on its appointment. It should not be necessary for the generator to be reimbursed for these particular costs. We would expect it to be most efficient for the generator to procure a seabed survey and provide it to Ofgem for use in the OFTO tender/appointment process, rather than for many candidate-OFTOs to each undertake their own surveys. We believe that this approach should secure best value for customers.

The overall approach benefits offshore developers considerably since, notwithstanding that they may fund the survey and the procuring of consents and leases, the costs of building the dedicated asset – the offshore cable and grid connection – would be recovered through NGET's charging methodology over a number of years. The charging method will need development and clarification as to what the charging base is and how the new arrangements will fit into the existing charging method (as modified in the near future to be compatible with the new TEC sharing zones as a result of TAR).

We agree with the suggestion in paragraph 7.39 that offshore generators should only be compensated for loss of transmission access during outages, if they have requested and paid for redundancy in their connection. This avoids the possibility of unreasonable BSUoS costs arising as a consequence.

We agree that where competition has been ineffective in the tender, Ofgem should have discretion to grant revenue streams for such shorter periods than 20 years as it sees fit. Where assets are needed beyond 20 years, we agree that Ofgem (taking appropriate account of the generator's views) can decide whether to extend or re-tender. In the event of re-tendering, 18 months' notice of licence termination, as suggested, seems both adequate and sufficient.

We consider that pre-defined reopeners would be very difficult to codify in advance: Ofgem's relevant statutory duties may change over a 20 year span. Reopeners should not be from a pre-defined list and should be very tightly limited, in general terms, to genuinely rare, exceptional, and wholly unforeseeable events. It would certainly be extremely difficult to identify good public indices for such costs as "offshore cable operation costs" from meaningful, independent, pre-defined, verifiable, and auditable data: such indexation could be too much like a licence to OFTOs to print money, as well as adding administrative complexity if it were even possible.

In the case of increases or decreases to the required investment that occur prior to construction, but post-tender, we agree that these should be required to be quoted for by the OFTO in its original tender response. We agree also that increases in the required capacity in excess of 20% should lead to re-tendering. Once construction has commenced, we strongly agree that the costs of incremental capacity increases should not be recoverable, since contractual terms between OFTO and generator will be fixed – construction risks and alterations should be borne by the OFTO.

We do not feel that having a losses incentive scheme for each OFTO would be likely to affect actual physical losses and so we agree with Ofgem's minded-to direction not to have such indexation.

The proposal for a capped asymmetric delivery timing incentive appears reasonable, as does that for an availability incentive which allows a number of "free" outages to the OFTO.

We support the suggested period of (at most) 20 years for the OFTO revenue stream and agree that this is a long enough period to provide a more-than-attractive investment opportunity. Any longer would be unduly long in comparison to offshore (surface) asset lives, which may well fall short of 20 years.

Yours sincerely

**Paul Mott**

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Regulation Executive