

All persons with an interest in  
offshore electricity transmission

---

*Promoting choice and value for  
all gas and electricity customers*

Direct Dial: 020 7901 7147  
Email: [laura.nell@ofgem.gov.uk](mailto:laura.nell@ofgem.gov.uk)

Date: 4 October 2010

Dear Colleagues,

### **Version 0.7 of the draft generic Offshore Transmission Owner Licence**

We have today published draft version 0.7 of the generic Offshore Transmission Owner (OFTO) Licence and updated illustrative revenue model<sup>1</sup>. We consulted on version 0.6 of the OFTO Licence on 3 September 2010 and received three responses. There were two non-confidential responses that can be found on our website<sup>2</sup>. We have given due consideration to the responses received and made a number of updates to the OFTO Licence that are reflected in version 0.7.

In summary, the responses we received include:

- minor drafting comments and corrections to cross-references to improve clarity in the OFTO Licence,
- suggestions to correct algebraic terms in the OFTO Licence, and
- updates to the revenue model to provide consistency with the licence.

### **Key changes**

All changes since version 0.6 of the OFTO Licence as a result of our consultation are reflected in red text in version 0.7 of the OFTO Licence. We have not amended or updated the accompanying guidance note. The nature of those changes is summarised below. Minor housekeeping changes are not detailed.

We have made updates to proposed amended standard condition E12 D1 (Offshore Regulatory Reporting) to clarify that the regulatory instructions and guidance will be issued by way of a direction of the Authority.

We have altered formula in proposed amended standard condition E12 J2 (Restriction of Transmission Revenue: revenue from transmission owner service) to reflect that the base year for revenue indexation will be the year in which the licence is granted.

We updated algebraic formulas in proposed amended standard condition E12 J4 to apply the proportion of revenue term (PR<sub>t</sub>) to revenue in opening and closing relevant years.

---

<sup>1</sup> The revenue model is for illustrative purposes only to demonstrate how the revenue formula in the conditions will work.

<sup>2</sup> [http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Consultation%20letter%20on%20version%200.6%20\(all%20stakeholders\).pdf&refer=Networks/offtrans/pdc/cdr/Cons2010](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Consultation%20letter%20on%20version%200.6%20(all%20stakeholders).pdf&refer=Networks/offtrans/pdc/cdr/Cons2010)

## **Next steps**

We intend version 0.7 of the OFTO Licence to be the final generic draft for offshore electricity transmission tender round 1 projects. In the lead up to financial close and licence grant for these projects we will reflect any project specific refinements necessary in advance of the statutory consultation under section 8A of the Electricity Act 1989 to modify each OFTO licence at grant.

Should you have any queries in relation to version 0.7 of the OFTO Licence, please contact my colleague Laura Nell (contact details above) or Colin Down ([colin.down@ofgem.gov.uk](mailto:colin.down@ofgem.gov.uk) 020 7901 7327)

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Robert Hull', with a horizontal line underneath.

Robert Hull  
**Managing Director - Commercial**