

Third Expert Workshop: Asset Delivery

17th June 2011 - Meeting Note

Introduction

The expert workshop held on 17 June 2011 is the third in a series of workshops hosted by Ofgem and DECC to support the Offshore Transmission Coordination project.

The workshop was held to support work being undertaken as part of work stream 2, focused on asset delivery. Work stream 2 is being undertaken to provide Government and Ofgem with a better understanding of the technical feasibility and costs and benefits of a range of grid configurations.

Workshop Overview

The focus of the workshop was on planning and consenting related issues, which have been raised as an issue with significant bearing on co-ordination in previous expert workshops and meetings of the Offshore Transmission Coordination Group.¹

The format of the workshop was as follows:

- 1) Welcome & introductions
- 2) An overview of the consenting process – presentation by TNEI/PPA Energy
- 3) A developer's perspective on the consenting of offshore transmission infrastructure and associated onshore infrastructure – presentation by SSE
- 4) The level of evidence required for anticipatory consenting - table based group discussion and report back
- 5) How developers should inform a co-ordinated process - table based discussion and report back.

Outputs

This note reflects the Secretariat's summary of the views expressed at the workshop during discussions under agenda items four and five, and should not be considered to reflect either DECC or Ofgem's views. Appendix 1 lists the organisations that participated in the workshop.

¹ More information on the OTCG can be found on the [Offshore Transmission Coordination Project page](#) of the Ofgem website.

Presentation Session²

TNEI provided an overview of the current consenting process. Differences between the current consenting regimes in England, Wales, Scotland and Northern Ireland were noted.

SSE then gave a developer's perspective of the consenting of offshore transmission infrastructure and associated onshore infrastructure, based on their experiences with the Shetland islands.

Discussion Session 1: The level of evidence required for anticipatory consenting

Introduction

Workshop participants were asked to consider how one could take a strategic approach to integrated transmission infrastructure in the context of the consenting process. One approach may be for anticipatory consenting for transmission infrastructure, or simply for a more co-ordinated approach to consenting. It was emphasised that there were no 'right answers', but that the discussion aimed to bring out a range of issues for consideration.

Participants were asked to focus their discussion on the question of 'what level of evidence would be required for anticipatory consenting?' This could include consideration of aspects such as the volume and detail of evidence, how ownership, transfer and splitting of consents may occur, and who might pay for the process. Participants were also encouraged to highlight any regional differences.

Summary of Discussion

Overall, there was a **lack of clarity over how current planning and consenting arrangements** would treat applications for approval of infrastructure that was of an anticipatory nature. There was also a distinction made between **low regrets measures and anticipatory measures**, which could be different in nature.

It was suggested that under the provisions of the Planning Act, the Infrastructure Planning Commission (IPC) may not be allowed to approve infrastructure that includes over-sized capacity. There may also be disjoints in the parts of a project the IPC can consider – for example, subsea cables may require approval from a different consenting agency.

The **volume and detail of evidence** to justify anticipatory consenting would seem to depend on the potential physical impact of that investment. For example, installing a larger cable than is immediately necessary could have a minimal environmental impact compared to installing two smaller cables, or building a larger substation.

There were some suggestions as to how anticipatory investment could be approached more generally. Some participants suggested that it was better to start with smaller, local projects, before tackling complex regional projects. It was also suggested that there was a **need for guidance and clear justification for anticipatory investment** at a regional level, which could help to address the needs case.

² Both presentations are available on the Offshore Coordination website:
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=12&refer=Networks/offtrans/pdc/pwg/OTCP>

It was suggested that the Scottish planning framework had some advantages in that future required infrastructure is agreed upon (using results from Electricity Networks Strategy Group (ENSG)). This is helpful in acting as a strategic plan of sorts. Individual applications that are in conformity with the plan are not required to demonstrate a needs case. This differs to the approach in England. It was acknowledged, however, that this approach could have drawbacks, if developments deviate from the plan making it harder to demonstrate a needs case.

Some participants expressed a need for regulatory certainty and endorsement for taking a co-ordinated approach through the planning system, to justify oversizing build. At present, it was felt that there is no clear driver for this.

Participants raised a number of **uncertainties regarding how the process for approving anticipatory investment could work**, including:

- Who triggers the consenting process?
- What does the IPC require on this process?
- Can consents be split or transferred? What is the situation for consents issued under different consenting bodies and in different regions?
- Can one party start the application for a consent and then transfer this to another party or multiple parties?
- Can the consenting process be triggered by a third party, such as The Crown Estate?
- Can one start a consenting process when the owner is not known (or owners for a shared asset)?
- The appropriate assessment requires a needs case. How can you defend the need of an asset on an anticipatory basis and how?
- The appropriate assessment has strict criteria about the consideration of alternatives. If an asset is anticipatory how will you argue that it is superior compared to an alternative?
- How will the consent granted allow for flexibility to accommodate changes?
- Can compulsory purchase and wayleaves powers be acquired for anticipatory assets?
- At what point is regulatory approval required for anticipatory investment?

It was suggested that the project addresses these questions.

Discussion Session 2: How Developers should inform a co-ordinated process

Introduction

In workshop session 2, participants were asked to consider how developers should help inform a co-ordinated process. Some areas suggested for consideration included assessment of the role of the developer in system planning; how the developer informs co-ordinated development; what level of user commitment might be necessary; and what level of security can be provided.

The table discussions and subsequent feedback to the rest of the group highlighted some common themes.

Summary of Discussion

It is felt that developers have and need to continue to play a key role in informing a co-ordinated process. Developers play a de facto role in system planning. Arguably, developers will have the most clarity on the construction of the project and also when and where further phases of a project are likely to come online. Planning by developers could radically inform the development of a co-ordinated network. It is likely that they will continue to develop projects as per existing plans, until a co-ordinated solution can be shown to offer them some benefit. As a result, some participants felt that developers should be more involved, formally help support system development, and be given further opportunity to contribute to this.

National Grid as System Operator should also closely liaise with developers in order to fully inform system development plans. While National Grid has to make a decision about where connection points would be best located in the context of the overall onshore and offshore network, developers will want input into issues like connection points and where cables come onshore. It is then up to National Grid to assess the “overall best connection” for the system.

It was pointed out that **the IPC has the final say on location**, and may ask National Grid to change the offer. If National Grid do not think that the IPC will agree to a certain connection location, they can recommend changing the offshore connection point. It was felt that the sooner a developer flags intent in relation to project development the better. The suggestion of having **an independent body to drive system planning** was raised again.

Assessing the appropriate level of risk, and who should bear this risk, was also discussed. Some participants considered that asking a developer to **securitise** a whole project represented an unacceptable level of risk. Some felt it was more acceptable to have stranded transmission assets than stranded generation assets, as the value of the latter was significantly higher.

Participants queried whether it was necessary for entire projects to be securitised. Would it be possible to partially securitise a project, with the rest to be covered in another way or at a later date? The level of security which is required for projects coming on later will be less than for the initial projects. There may also be ways to reduce the level of securitisation required, for example if there is a particularly strong case for a development, with limited stranding risk. There may be other factors involved which help to guarantee the completion of a particular project.

It was argued that placing more risk on the consumer would mean less risk for the developers, and arguably result in a project which costs less to deliver. It was felt that it is reasonable for customers to take on some risk of stranding, if sensible and appropriate risk management is in place.

There could be coordination issues between the **developer’s consenting process and the network consenting process**. However, with consenting concerns running in parallel, additional questions raised for the project to consider were:

- Could the developer and network designer end up competing for space?
- Could they have a cumulative impact or combined effect?
- Will this confuse stakeholders and the local communities involved?

Appendix 1: List of participating organisations

1. Alstom Grid
2. Balfour Beatty
3. Bond Pearce LLP
4. Burges Salmon LLP
5. Centrica
6. CG Power
7. DONG
8. E.ON
9. EDF Energy
10. Frontier Power
11. Jacobs
12. Mott Macdonald
13. Nabarro
14. National Grid National Grid Electricity Transmission (2 representatives on behalf of TO and NETSO)
15. National Grid Offshore Ltd
16. RenewableUK
17. Scottish Power
18. Scottish Renewables
19. SeaEnergy
20. Shepherd and Wedderburn LLP
21. Siemens
22. SJ Berwin LLP
23. SMart Wind
24. SSE
25. Statkraft
26. The Crown Estate
27. Transmission Capital
28. Warwick Energy