6th Floor, Dean Bradley House
52 Horseferry Road, London SW1P 2AF
+ 44 (0)20 7706 5100
www.energynetworks.org

Jon Parker
Offshore Coordination Policy
Ofgem
9 Millbank
London
SW1P 3GE

26th April 2012

Dear Jon,

Energy Networks Association OFTO Forum – Response to consultation on potential measures to support efficient network coordination

Energy Networks Association (ENA) is the industry body for UK electricity and gas distribution and transmission companies.

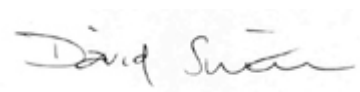
This response to Ofgem's consultation on potential measures to support efficient network coordination is submitted by ENA and is in addition to and in support of the individual responses of the members of the ENA's OFTO Forum.

In general, ENA and the members of the OFTO Forum believe that for those offshore transmission assets that are identified as anticipatory investment and/or having wider network benefits, the OFTO community have a significant role to play in developing and building such assets. In our view it is extremely important that the interactions between the regulator, NETSO, generators and OFTO bidders during the tender exercise for such assets be defined in a coherent, transparent and above all fair and competitive process.

Our detailed responses to the consultation questions are attached to this letter as appendix 1.

If you have any follow up queries please get in touch with Richard Le Gros, Secretary to the OFTO Forum at ENA, on 0207 706 5132 or richard.legros@energynetworks.org.

Regards,



David Smith • Chief Executive, Energy Networks Association

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Registered office: 6th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Appendix 1 – ENA OFTO Forum response to consultation on potential measures to support efficient network coordination

Question 1: What are your views on whether:

a) the connection process (including the relevant industry framework) supports the design of an efficient and coordinated network?
b) the NETSO needs further powers to develop an efficient network?
c) there are any barriers to the NETSO taking on an enhanced role in network development?

Answer 1: ENA does not see any barriers to NETSO taking on an enhanced role in network development, however we would stress the need for NETSO to act independently (e.g. separately from the rest of NGET) when doing so.

Question 2: Do you agree with the proposed objectives for a reformed network planning document? Would other changes be useful?

Answer 2: No comment.

Question 3: Do you agree with our initial proposal for a definition of AI and that the types of AI set out are those that need to be captured in an approach to AI?

Answer 3: ENA agrees with the definition of AI put forward in the consultation document.

Question 4: Do you agree with our initial proposed objectives and regulatory design principles for an approach to AI? Are there some which you see as more important than others?

Answer 4: ENA agrees that the proposed objectives and principles for approaching AI are sensible. In addition we believe it would be appropriate that these are built onto the existing offshore regulatory framework to ensure competitive benefits are retained and minimise time taken and disruption caused by implementation.

Question 5: What are your views on use of the connection application process as the platform for identifying AI opportunities? Could there be a need for AI to be identified outside of the formal connection offer process?

Answer 5: ENA believes that the connection application process is one means of indentifying AI opportunities; however it is not the only means of doing so. For AI that should sensibly be delivered by parties other than a generator (e.g. TO, OFTO, etc) it may be more appropriate for such opportunities to be identified by NETSO in a wider planning role (e.g. 'bootstraps' delivered by the linking of two offshore wind farms).

Question 6: Do you envisage that changes to industry codes and licences are necessary to enable the connection offer process to identify AI?

Answer 6: No comment.

Question 7: Are there barriers to cooperation in connection offers being agreed where a development involves more than one generator? What actions do you consider are warranted to address these?

Answer 7: ENA believes that there are many barriers to generators cooperating in respect of grid connection issues. These barriers will be significantly reduced and/or eliminated if these grid connection works are undertaken by a suitable OFTO or TO.

Question 8: Are there other parties that should be able to identify opportunities for AI?

Answer 8: ENA expects that there will be other parties that can identify opportunities for AI. It may be appropriate that some sort of approval process for AI opportunities identified in this way be put in place (perhaps involving Ofgem and NETSO).

Question 9: What changes may be needed to ensure that assets that provide wider network benefits are designed, constructed and operated to provide a longer asset lifetime?

Answer 9: Whilst ENA believes that arrangements should be made to ensure that assets that provide wider network benefits are designed, constructed and operated to provide a longer asset lifetime (with a sensible return to the licence holder), we have no particular views on how this might be achieved.

Question 10: What are your views on whether a longer revenue stream for assets that have wider network benefits could create better value for consumers?

Answer 10: ENA believes that a longer fixed price revenue stream (e.g. over 20 years) would not deliver best value for consumers as the additional uncertainty of O & M and insurance costs to the OFTO over this periodwould necessitate a risk premium to be built into this revenue stream.

Question 11: What are your views on the best way to deal with possible interaction between assets with differing lengths of tender revenue streams?

Answer 11: No comment.

Question 12: Do you agree with these high-level user commitment and charging principles for AI?

Answer 12: No comment.

Question 13: What areas of the transmission charging regime may need to change to facilitate AI in the offshore transmission network?

Answer 13: No comment.

Question 14: Is there a need for greater, earlier clarity on how including AI within the scope of works might be treated under our assessment of costs?

Answer 14: Greater, earlier clarity on how Ofgem may treat the assessment of costs when AI is included within the scope of works (or indeed any other aspects of the offshore transmission regulatory regime) would of course be welcomed.

Question 15: What are your views on the potential form of these Ofgem assessment stages? Should it be optional for generators to go through the gateways where they would be undertaking the subsequent works?

Answer 15: No comment.

Question 16: Do you agree with the proposed high-level criteria for use by Ofgem if considering whether AI would be economic and efficient?

Answer 16: ENA agrees that the proposed high-level criteria for use by Ofgem are appropriate, although we would like to understand how Ofgem will go about engaging the appropriate expertise in economic evaluation, scope determination and technical "know-how" for the application of these criteria.

Question 17: What are your views on the appropriate timing of the possible Ofgem assessment stages?

Answer 17: No comment.

Question 18: What information should in your view be provided as part of any published guidance that supports AI approval?

Answer 18: No comment.

Question 19: Should there be additional requirements to share information with Ofgem to help streamline Ofgem's assessment of AI for project? What information should be included?

Answer 19: No comment.

Question 20: What are your views of the different options for who should undertake pre-construction works for assets that are driven by wider network benefits?

Answer 20: No comment.

Question 21: Could OFTOs potentially have a role in undertaking pre-construction works for assets significantly driven by wider network benefits? How might this work?

Answer 21: ENA believes that OFTOs could have a role in undertaking pre-construction works for assets significantly driven by wider network benefits.

Question 22: Do your views of the attractiveness and feasibility of an early OFTO build option differ for assets that are driven by wider network benefits?

Answer 22: No comment.

Question 23: Are there changes that can be made to improve the incentives on offshore generators in undertaking pre-construction and construction works for assets that are driven by wider network benefits?

Answer 23: No comment.

Question 24: What would be the impact on the attractiveness of Generator build option for assets that have wider network benefits if additional delivery incentives are incorporated? Should the OFTO build option be the main focus for this type of asset?

Answer 24: No comment.

Question 25: What are your views on how any distinction between “offshore generator focused” and “wider network benefit” assets should be made?

Answer 25: No comment.

Question 26: What role could commercial contractual arrangements have in ensuring that pre-construction assets are passed to the relevant party and the first developer can recover their costs?

Answer 26: No comment.

Question 27: What changes may be needed to support the process? What would be the impact of requiring an OFTO to hold assets for future generators?

Answer 27: No comment.

Question 28: Will commercial arrangements and industry codes and licences provide sufficient access rights for shared assets? If not what changes may be needed to support the process?

Answer 28: No comment.

Question 29: Are there any other issues with shared assets that need to be considered?

Answer 29: No comment.