SP ENERGY NETWORKS

Regulation & Commercial

Jon Parker
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Ofgem
9 Millbank
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Your ref
26/12

Our Ref

Date
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Contact / Extension
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Dear Jon

Offshore Transmission – Consultation on potential measures to support efficient network coordination

SP Transmission Ltd welcomes the opportunity to comment on this paper. As a Transmission Owner ("TO") located in the south of Scotland, our transmission licence requires us to comply with the System Operation – Transmission Owner Code ("STC") to make available our transmission assets to National Grid Electricity Transmission as the System Operator. One of the objectives of the STC is that the electricity transmission system is developed, maintained and operated in an economic, efficient and coordinated manner.

We agree that an effective system planning approach is key to ensuring that the overall GB transmission network is developed in an economic, efficient and coordinated manner, and we also agree that this approach will have to consider onshore and offshore development together. As an onshore TO, we have an important contribution to make and suggest that we should be fully involved in the development process, particularly where development/s may impact on our obligations. For example, our background in system analysis and design, including considerable recent experience in HVDC design and its impacts, will be very important in supporting the design and delivery of coordinated networks.

We believe that there is a clear requirement for a design authority, in which the onshore TOs should be involved. A good example is our current work with other TOs, organised on an informal basis, to identify an optimal network to facilitate offshore from the east coast of Scotland.

In the supporting appendix, we have answered the questions where we believe we have an interest as an onshore TO.

If you have any queries please do not hesitate to contact me or Alan Michie on 0141 614 1958.

Yours sincerely

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Appendix 1 SP Transmission Responses to Specific Questions

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?

Connection offers are developed in response to each connection application. Licence targets drive the timescales by which an offer must be made. This does not necessarily support the co-ordination of different offers and can undermine the development of integrated design options.

An effective Design Authority role, which would incorporate both the NETSO and local TO, should identify connection offers which may trigger integrated design and optioneering. Achieving this within current licence timescales may be challenging in some instances therefore the process might be improved by allowing longer connection offer periods. For example, the Western HVDC project and the multiple generation connections in the Firth of Forth are good examples of when co-ordination has been effectively achieved under the existing process.

b) The NETSO needs further powers to develop an efficient network?

Both the transmission licence and the STC require TOs to develop and maintain an efficient, economic and coordinated network. The SO through the STC code is able to ensure new connections trigger wider network reinforcements. The Design Authority role should be established in such a way that recognises and values the participation of the local TO in understanding their own system and incorporating AI with other network developments that are planned under RIIO.

In addition, there should be a provision for affected TOs to participate within the Design Authority assessment for particular reinforcements. We would consider that an overly inflexible approach to the Design Authority Role would stifle innovation.

c) There are any barriers to the NETSO taking on an enhanced role in network development?

In terms of our relationship with the NETSO in managing the transmission connection process, we have seen this role being carried out effectively to date.

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

We support the proposal that the ODIS be combined with the SYS and that this combined document and will be responding to the specific consultation in respect of this proposal.

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?

The description of the engineering design needed prior to undertake pre-construction activities as ‘high level’ may be misleading as significant elements of optioneering, are required such as assessment of system requirements, selection of the most appropriate reinforcement option, and initial design.

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?

We broadly support the objectives and regulatory design principles proposed.

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?

There is an opportunity for the design authority, which may involve the NETSO in conjunction with the TO's and other parties, to develop an offshore strategy or blueprint that identifies AI. This could inform the connections process.

Where it is considered that there may be wider network benefit from particular connections this should be referred to the design authority for an initial assessment to ensure that the proper identification of AI can be made.

We also support the view that generators should be encouraged to identify and be aware of the option of identifying AI in respect of co-ordination with other generators.

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

Changes may be required to facilitate the time that is available to effectively identify and scope AI. For example, a connection offer that is identified as potentially benefiting from co-ordination, or requires complex reinforcement, may require more time than a standard connection to allow an optimum offer to be developed. Ideally, the NETSO could have the opportunity to "Stop-the-Clock" on a connection offer, based on supporting Design Authority information, in order to achieve effective assessment and recommendations for wider network benefits.

Question 7: Are there barriers to cooperation in connection offers being agreed where a development involves more than one generator?

The STC provides the process and platform for co-operation between TO and NETSO in making connection offers, and there are examples of where co-ordination has been achieved so far e.g. the Firth of Forth.

Managing independent connection offers in the same areas, particularly relating to offshore, can be very challenging given the requirement to make offers three months from valid application i.e. clock-start. For example, we have a current connection offer process, where more than one offshore party is involved, in which working with the NETSO and the other affected TO we have identified around 45 design options (referred to as CIONs - Connection Infrastructure Options Note).

Where there are a number of potential grid solutions, a connection offer process that provides some flexibility in making offers, would be very beneficial.

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?

The existing onshore TO currently designs and construct onshore transmission assets typically with an asset life of 40 years but these can last significantly longer in practice. Some parts of the network are still operating effectively for up to 80 years. On the other hand, the lifetime of offshore assets could vary due to the more severe environment.

There is a balance to be struck between cost-efficient investment and higher investment that may allow for longer asset lives. In addition, the use of up-to-date Asset Risk Management practices will also be important to ensure the lifetime of assets is maximised.

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

We would support greater transparency in information being provided that could be made available without breaching commercial issues.

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?

We believe the ultimate owner of the asset should be responsible for securing consents.

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?

The role of Design Authority will include specification of assets that are driven by wider network benefit. This role will include the NETSO, local TO and where appropriate the OFTO and the offshore generation developer. The Design Authority, which may involve the NETSO and TOs should be able to determine who should deliver the different elements of pre-construction works, and this could include OFTOs.

However, consideration should also be give to the business structure of the OFTO, where the OFTO has been formed as a separate legal entity for the sole intention of holding the OFTO licence then it may not be able to meet the financial obligations that would be associated with issues that delay delivery.

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?

Our preference is to take the time to design an optimal, coordinated network, although a degree of pragmatism is also required. There is a risk with an early build of a sub-optimal solution, which could lead to higher costs and potential stranded assets.

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

There will be cases where assets can clearly be allocated to “wider network benefit” and to “offshore generator focused”. The distinction would be identified by the Design Authority, working with all parties, and in most cases should not create issues. There may be situations where assets fulfil two functions, and in such cases it may be necessary to establish a rule; for example, where there is potential dual role, the assets is defined as ‘wider system’.

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?

There would be potential to minimise overall costs to consumers by encouraging the reduction of radial connections and maximising the opportunity for integration. This would be dependent on the business model that was adopted by the OFTO. For example, if the OFTO was set up as a separate legal entity to hold the transmission license it may be that there is a risk it would not be sufficiently financially robust to take on this additional liability.