

James Norman
Ofgem
9 Millbank
London, SW1P 3EG

[11/01/2016]

Dear James,

Re: Extending competition in electricity transmission: arrangements to introduce onshore tenders

RenewableUK is the leading trade association in the UK for renewable electricity, representing over 500 members across the value chain for onshore wind, offshore wind, and wave and tidal energy. Our members include many companies involved in the construction and development of renewable energy generating stations which will be reliant on separable assets open to the competitive tender process described in this consultation. We thus have an interest in expressing on behalf of our members some points which we hope will be considered by Ofgem when developing this process further.

We broadly support the proposals laid out in the consultation on extending competition in electricity transmission to include onshore assets, and we trust that it shall be implemented in such a way as to deliver the necessary assets at the cheapest rate. We support the SO-led Late CATO model in the first instance, with regards to the operating structure of the process, from the position of an ISO role, independent of its affiliations with the TO. Any move to an early CATO model needs to be carefully considered and should only proceed if there are clear benefits. We have a concern that the tendering of delivery to various independent parties will mean that such parties may not have the current Transmission Owners' potential for bulk purchase discounts of transmission equipment, though we understand that the new arrangements are expected to bring down the comparable cost of capital for the tender winners, through financial innovation and access to pools of capital not previously tapped.

We do not take a view on whether the competitive allocation of transmission assets should be applied to assets that are separable, either electrically or notionally. However, we would like to register our concern that the processes of competitively allocating construction tenders for connection equipment, and the requisite delivery of the assets following that process, have the potential to discernably delay and materially affect other linked and dependent projects. We trust that processes will be put in place to fairly mitigate any unintended consequences resulting from delays to the completion of linked projects because of delays caused by the competitive tendering process.

With particular regard to **Chapter 3 - Question 7**, we broadly support proposals to implement a package of financial incentives intended to ensure the availability of assets, as this would reduce the risk for developers of projects reliant on services delivered by CATOs. We support the 10% cap on revenue at risk, as that is in line with current OFTO arrangements. We give broad support to an availability incentive scheme designed to ensure CATOs operate their assets on a 'whole network'

basis, where any such scheme is applied appropriately for each CATO and system integration issues are taken into consideration. We also support Ofgem's proposal to consider the interdependencies between different assets when deciding penalty notices, but it is important that the construction and delivery of CATO assets does not unnecessarily affect the development and operation of dependent assets.

Yours sincerely,

Eamonn Bell
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