



taking care of the essentials

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Offshore Electricity Transmission – Second Scoping Document

Dear Giles,

Centrica welcomes the opportunity to comment on the second scoping document concerning the regulation of offshore electricity transmission. We appreciate the Government and Ofgem's recognition that generators need to be more heavily involved in the design of an offshore regime when compared to the development of onshore arrangements.

We are fully supportive of Ofgem's decision to award OFTO licenses in line with a non-exclusive common tender approach. Whilst we are in agreement that this is the best way forward, we believe that the scoping document lacks detail in a number of areas and, through this response, we seek further information and clarification on some points.

We are keen to understand the process for appointing an independent party to assess and manage the tender process. The current scoping document does not address the criteria for selecting the independent party or where revenue will be generated to pay for the services provided by the independent party. The second scoping document makes reference to an appeal process, the publication of bids, and standardised documentation. We request further information regarding these points before providing comment.

We are concerned that an annual window for connection applications and bids may not provide the co-ordination it seeks to achieve, and may result in increased costs being incurred to revise plans for the next window of opportunity.

We believe that in the early stages of the new regime, a 3 month timescale for NGET to provide an indicative connection offer (as onshore) may not be feasible. There are a number of additional issues that we would like to raise in relation to the connection application process. The willingness of a 'host' TO to provide cost assessments and designs when they may not ultimately become elected as the OFTO needs to be identified. If the winning bidder is not the 'host' TO, it should be noted that the high level indicative designs produced by the 'host' TO could differ substantially to the plans of the elected

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OFTO, thus rendering the indicative connection offer redundant and misleading which could lead to mistrust in the process. It is also important to determine how the 'host' TO will recover the costs associated in producing the initial high level indicative designs.

We require clarification on the survey requirements at each stage of the tender process. The level of information required could vary significantly from a sea-bed survey only, to the inclusion of a survey of fish, birds and mammals to be impacted by the development, or a full impact assessment. Each would vary the time and costs associated with each tender.

The sharing of survey information could lead to problems if a developer chooses an alternative route or technology. We are concerned that the sharing of information could also lead to some parties withholding information and we will be keen to understand how such action would be monitored and prevented.

We do not believe that it is appropriate for the winning bidder to bear the costs incurred by other bidders. Parties participating in the tender process should acknowledge the costs associated with that process. It will be important to understand the exact requirements for the first stage of the tender process in order to estimate the related costs.

We look forward to meeting with DTI separately to discuss the issues surrounding adoption, however, we feel it is important to state that it is imperative that the adoption process is outlined as early as possible. It is also Centrica's belief that 75% of the ex ante costs is not a sufficient level of commitment. As noted in the external communication session on 24th April 2007, this figure should be set at 100% of the ex-ante efficiency, or alternatively, 75% of ex-post. If the figure is set too low, it could encourage over-stating of costs to ensure financial recovery.

Whilst we appreciate recognition that generators need to be heavily involved in the decision-making process, we encourage a more dynamic approach to future communications. Following the disbandment of OTEG, we are concerned that workshops are not a sufficient means of developing the licensing of offshore electricity transmission. We are willing to have more input into the design of the regime and we would like to be privy to a debate on the timescales for implementation. We acknowledge the development of a number of sub-groups but request that information relating to these working groups is widely circulated to ensure that the correct industry parties are represented and are given the opportunity to express their views.

If you have any questions or comments relating to this response, please contact me on the number above or at laura.jeffs@centrica.com

Yours sincerely

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