nationalgrid

GBSO Response to the Offshore Electricity Transmission Joint Policy Statement

September 2007

GBSO Response to the consultation "Offshore Electricity Transmission – A Joint Ofgem/BERR Policy Statement" published on 25th July 2007

Contents

1. Executive Summary

1 National Grid, in its role as GBSO designate for Offshore Transmission, continues to support Ofgem and BERR in the development and implementation of the necessary regulatory frameworks for Offshore Electricity Transmission. This response to the July joint policy statement sets out our thoughts on the issues relevant to the GBSO.

2 We are keen to ensure that the offshore electricity transmission regime can make the necessary contribution to government targets for electricity generation from renewable sources. Our support is demonstrated by the work we have carried out on offshore electricity transmission to date.

3 This response has been formulated in the context of government decisions relating to competition in offshore electricity transmission. It therefore seeks to promote the incorporation of features in the offshore regime which we believe are necessary given the non-exclusive point to point approach selected. Taken in turn, these are:

(a) Successful Offshore Transmission Owners (OFTOs) should have a long term stake in electricity transmission which is aligned with the interests of GB consumers through the OFTO revenue stream and associated incentives;

(b) The process for selection of prospective OFTOs needs to be aligned with the user connection application process and offshore users' development timescales in order to minimise or eliminate harmful delays;

(c) Appropriate opportunities need to be created to co-ordinate transmission investment along with commensurate rights and obligations; and

(d) Offshore users' rights and obligations should be defined by a set of clear, consistent and non-discriminatory commercial arrangements.

4 We recognise the significant degree of uncertainty introduced during the development of any new commercial arrangements as new issues are raised, explored and tackled. We therefore welcome the clarification in some key areas provided within the policy statement.

5 A number of policy areas will need to be tackled over the next few months. We look forward to further clarification and would expect interested parties to gain increased confidence in the proposed arrangements as the consultation and policy development process progresses.

6 We are keen to ensure that a robust set of processes are available to offshore generators to apply for connections to the GB Transmission System. We consider these to be intrinsically linked to the OFTO selection process and are particularly interested in ensuring that we as GBSO will be able to:

(a) Continue to fulfil our licence obligations to make connection offers in the specified timescales without undue discrimination between transmission users;

(b) Accommodate the implications of any improved connection design identified during the OFTO selection process in our connection offers; and

(c) Accommodate an appropriate degree of customer choice in connection arrangements within consistent and transparent contractual frameworks.

7 The issues of access, compensation and OFTO incentives are intrinsically linked in our opinion. We see a focussed OFTO incentive which drives long term reliability through prudent asset management as essential to the success of the Offshore Electricity Transmission arrangements. We also believe that direct generator 'compensation' in the event of long term offshore transmission unavailability should be considered as part of the OFTO incentive package.

2. Introduction

8 This document sets out National Grid's response to the Joint Offshore Electricity Transmission Policy Statement issued by Ofgem and BERR on 25th July 2007 in our role as GBSO designate. Our response has been formulated in the context of the government policy decisions relating to competition in offshore transmission.

9 We have already contributed towards the successful development and implementation of offshore electricity transmission arrangements through:

(a) Development of the offshore security and quality of supply standards (to form part of the GBSQSS) in response to the economic analysis performed by the centre for Sustainable Energy and Distributed Generation (SEDG);

(b) Chairmanship of the Grid Code Subgroup on Offshore Transmission and drafting of sub-group recommendations; and

(c) Initiation of the Offshore Transmission Charging pre-consultation.

10 We have agreed to conduct further work in these areas in the coming months and expect to contribute further to Grid Code drafting, SO-TO Code (STC) development and development of 'Embedded Transmission' arrangements.

11 We also expect to progress changes to the Transmission Charging methodology relating to offshore transmission in line with the relevant objectives.

12 This response outlines our thoughts on the aspects of the enduring offshore regime firstly by considering issues relating to the twin processes (connection application process and OFTO selection) triggered by a user's application to connect an offshore generator to the GB Transmission System.

13 It then covers issues relating to the operation of the new regime in terms of charging, compensation, access and incentives as well as outlining our expectations for the GBSO's enduring contribution.

14 Our response concludes by outlining our work plans prior to Ofgem and BERR's next publication on this topic.

15 The issues discussed within this response document are cross referenced against the specific questions raised in the policy statement in Appendix A.

3. The Enduring Regime

3.1 Connecting Users to the GB Transmission System

16 The following section outlines our thoughts on the two processes triggered by a user's application to connect to the GB Transmission System from an offshore location:

(a) The connection application and offer process; and

(b) The selection of an OFTO to design and build the required offshore transmission infrastructure.

17 We believe that the two processes, whilst distinct, are intrinsically linked and need to be considered jointly in order to ensure that the most effective and efficient solution is developed.

18 We also believe that an appropriate degree of user choice and flexibility can be incorporated into the connection and tender processes and managed through a consistent, transparent and efficient set of offshore electricity transmission arrangements.

19 We do not believe that there is any need for additional bilateral agreements between generators and OFTOs to facilitate choice and flexibility. Appropriate definitions of connection options, properly related to charging, access and compensation options, will provide users with appropriate flexibility within the regulated framework and ensure that consistent and transparent access, compensation and charging terms are available to all offshore transmission users.

20 The following narrative first discusses issues relating to OFTO selection then goes on to examine specific areas of the overall connection and OFTO selection process.

21 We believe that in order for the complete connection timeline to be evaluated, the overall picture will need to be considered. This will include those requirements and processes outside both the OFTO selection process and the connection application process (eg gaining a Crown Estate lease).

3.1.1 Selection of Offshore Transmission Owners

22 The policy statement provides useful clarification on the tender process, in particular over Ofgem's role. We look forward to seeing a fully defined process as soon as is practicable.

23 The proposed selection process features a data-room facility. We believe that, if such a facility is deemed necessary, this should be provided under the auspices of the OFTO selection panel rather than an external party such as the GBSO.

24 The tender process is likely to include some relatively expensive undertakings (sub-sea surveys for example) and it is reasonable to expect the applicant to fund these initially, perhaps through staged application fees. As such, these costs should be considered as part of the overall user commitment package for offshore generators.

25 Seabed surveys could form part of a package of works common to prospective OFTOs and therefore initiated by the OFTO selection panel. This could minimise duplication and therefore overall costs.

26 In circumstances where user works are small or the user already has necessary consents and permissions, the tender process could introduce unnecessary delay as well as costs. Examples of this would be:

(a) Generator up-rating facilitated by technological advances which necessitates provision of additional transmission capacity;

(b) Phased development of an offshore facility; and

(c) Connection of new generation in close proximity to an existing offshore transmission substation.

27 Where it can be demonstrated that the competitive benefits delivered by a tender process are outweighed by the costs of process itself and the implications of longer development lead times, there should be a mechanism whereby the tender process can be de-scoped or removed entirely.

28 The criteria for this could be defined in terms of:

(a) A de-minimis financial threshold for an individual OFTO (similar to the aggregate cap of twenty per cent of expected lifetime cost discussed in the policy statement);

(b) Physical qualifying criteria such as distance from existing installation or the nature of the new capacity (eg uprating of existing infrastructure); and

(c) Specific issues considered on a case by case basis by the tender panel.

29 It is important to note that, as is currently the case onshore, all changes to users' offshore connection arrangements (whether a need for a change in capacity or a change in connection redundancy) will need to be assessed by the GBSO before access can be granted to the GB Transmission System. We believe therefore that if an offshore user wishes to change the level of transmission service it requires, it would be more appropriate for the user to approach the GBSO rather than seek bilateral agreements with an OFTO.

3.1.2 The Connection Application and OFTO Selection Processes

Offshore Opportunities

30 The Seven Year Statement (SYS) currently provides information which is intended to help users make efficient investment decisions in relation to the GB Transmission System. The information in the SYS also helps users make better quality applications for connection to the GB Transmission System.

31 There may be some value in the provision of specific information on offshore connection opportunities in a supplemental publication. This has been discussed under the title of 'Offshore Opportunities Statement' and is also discussed within the policy statement under the 'Pre-Application Process'.

32 We are currently in discussion with BERR and the Crown Estate regarding inclusion of transmission system information in their proposed Strategic Environmental Assessment (SEA). If this assessment contains the necessary relevant information, a separate publication may not be required.

Connection Offers

33 The information provided in the offshore SEA (or equivalent document) will provide users with high level information on potential connection options. However the costs and timescales associated with a connection application will only become clear following the identification of scheme and site specific issues, including connection voltage and whether it is more appropriate to connect to an onshore transmission or distribution network.

34 In order to ensure parity with onshore connection applications, we anticipate providing a high level initial connection offer to an offshore applicant within 3 months of an application. Offers may need to be based on generic design assumptions, particularly in relation to offshore works, and may be subject to revisions as more information is made available.

35 Options for connection to distribution networks for example can only be included if appropriate information is made available by affected DNOs within the necessary timescales. In those circumstances, we would expect to follow any initial offer with additional information which would also be passed into the OFTO selection process.

36 There is therefore a risk that:

(a) Connection offers are generally devalued due to the extent of the caveats which are necessarily imposed within them; and

(b) Connection offers do not reflect the most efficient connection arrangements as:

(i) The offshore transmission design has been accounted for on the basis of high level assumptions; and

(ii) Information on an Embedded Transmission option is not available.

37 These risks could be mitigated to some extent by pre-application feasibility studies. However, the value of a study will depend on the nature of the individual project and may diminish significantly where the generation background is changing. Therefore it would not seem appropriate to make these studies compulsory.

Windows

38 We had been concerned that a connection application window feature would create a lack of parity between onshore and offshore applicants. In many ways, this is addressed by the proposal to de-couple tender windows and the connection application process.

39 We envisage that there will be demonstrable benefit to be gained from running a single OFTO selection process in response to multiple proximate connection applications in a significant number of instances. We can see benefits in the proposed use of co-ordinating windows for offshore transmission tenders for this reason.

40 Some consideration is however required of the impact that decisions made by the OFTO selection panel could have on the final connection design and routing decisions for individual developments. Connection offers issued at an earlier date could be subject to significant revision. We look forward to developing and discussing the processes required to manage this.

User Commitment

41 User Commitment issues have been discussed by the industry in the context of the CUSC amendment CAP131 which proposes a generic approach to user commitment based on TNUoS charges.

42 The CAP131 Amendment Report was submitted to the Authority on 24th of July 2007. The development of user commitment terms relating to Offshore Transmission will need to be undertaken in the context of the Authority's decision on CAP131. The analysis undertaken by the CAP131 Working Group only considered onshore examples, and therefore further analysis of offshore examples is likely to be required to ensure the appropriate sharing of risk between generators and all users.

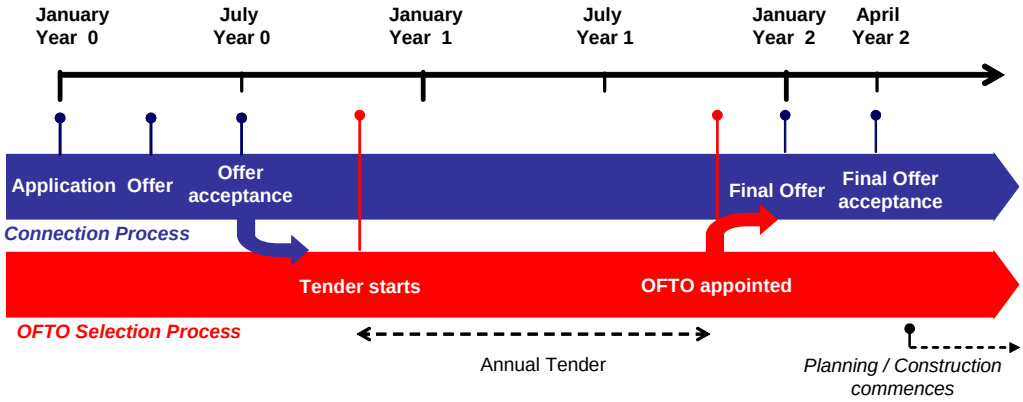
43 As highlighted above, the costs and qualification criteria associated with the OFTO tender process need to be considered as part of the offshore user commitment package.

Connection Timeline

44 We believe that the connection application process and OFTO selection process need to be considered together in order to form a view of their effectiveness from an applicant's perspective. The impact of other processes,

such as the award of leases by the Crown Estate, also needs to be considered in order to form a comprehensive view.

45 The following diagram summarises our understanding of current proposals (subject to the proviso that timescales and many other details are still under discussion and open to consultation) and is intended to give a helpful overview of the steps from connection application to commencement of construction.



46 It is clear that the OFTO selection process could introduce a significant delay to the overall connection process when compared to the onshore connection process. Indeed, if an applicant just misses an OFTO selection window, their project could be delayed by over a year whilst waiting for the next round. However, we assume that once the regime is known to the industry, developers will match applications to known development timescales.

3.2 Operating the Enduring Regime

47 Successful day to day operation of the offshore transmission regime will be dependent on the contribution of a significant number of parties. It is essential therefore that the offshore regime is designed in such a way that all parties interests are aligned, and ultimately aligned with the interests of electricity consumers.

48 This section examines how this can be achieved by aligning access and compensation rights, OFTO incentives and Transmission Charging.

49 We also outline further thoughts over the GBSO's operational responsibilities and highlight some issue specific concerns over Embedded Transmission arrangements.

3.2.1 Access, Compensation and Incentives

50 The policy statement provides useful clarification of Ofgem and BERR's thoughts over the responsibilities of the OFTO to 'design, construct and maintain a transmission network with a predefined transmission capacity'. This in many ways prescribes the 'Transmission Service' that an OFTO will provide to the GBSO and hence to the user.

51 Specific incentive mechanisms, user access arrangements and compensation arrangements can be built around the level of Transmission Service provided. When combined with Transmission Charging arrangements (set in line with the relevant objectives) the Transmission Service can be defined in such a way that ensures the alignment of interests we believe is necessary.

52 User access is a combination of rights and obligations described in the Connection and Use of System Code (CUSC); the right to export power onto the transmission network and the associated obligation to pay connection and use of system charges.

53 The curtailment of access rights for onshore users with connections that are compliant with the SQSS are handled either with administered compensation payments (for disconnection) or balancing services (for constraints).

54 Compensation rights for offshore users can be quantified relative to the rights which currently prevail onshore. We would expect users' compensation rights to be reduced where reduced network redundancy is specified (and for the converse to be true if applicable). Given proposed GBSQSS drafting, we would expect reduced compensation levels to be applicable offshore in the majority of situations.

55 We would also expect users' rights to export power to the transmission network to be proportionate to the physical transmission capability available in the offshore network. These may vary in situations where parts of the network are out of service (in parallel cable routes for example).

56 We would not expect to use balancing services to manage users' exports in cases where offshore transmission capability was reduced.

57 This physical transmission capability would form the key component of the Transmission Service levels which should be measured and fed into any OFTO incentive arrangements.

The OFTO Incentive Package

58 The consideration given to incentives on OFTOs in the policy statement is encouraging. As the GBSO does not have a direct ability to effect maintenance or repairs on the offshore infrastructure, we believe that the GBSO should be held neutral to any offshore incentive package.

59 An incentive based on an availability measure alone will create adverse drivers on OFTO maintenance levels and timing and therefore we outline suggestions for a more appropriate incentive package below.

60 Our thinking in this area is based on two key features:

(a) A long term reliability incentive to minimise fault rates and to drive repairs if necessary; and

(b) The facility to accommodate appropriate and agreed maintenance work.

The Transmission Service

61 The Transmission Service provided by the OFTO can be quantified by comparison to the pre-defined network design capability within its tender bid submission. We believe this Transmission Service level should account for compliance with technical standards as failure to meet these would impact on the GBSO's ability to operate the GB transmission system safely, economically and efficiently.

62 This Transmission Service capability measure could form the basis of OFTO incentive performance measures as well as defining that capacity available to offshore transmission users.

Long Term Reliability Incentive

63 A long term reliability incentive could be linked directly to the long term price controlled revenue the OFTO is entitled to and collected through charges levied on transmission users by the GBSO.

64 We believe that the compensation arrangements for reduced redundancy connections offshore should be consistent with those for single circuit design variation that exist onshore. Namely, that if a connection is designed with reduced redundancy that User should benefit from lower cost reflective TNUoS charges, but will forgo the right to a direct TNUoS rebate (CAP 48), if that access is lost.

65 Users could be given the option to pay a higher level of TNUoS charge and fund transmission redundancy therefore qualifying for firm commercial access. This allows users to compare the value of security against the cost of lost access which will inherently ensure the most economic and efficient investment decision is made.

66 We believe it is important to ensure there is a long term incentive for the OFTO to provide network availability. Therefore, where a fault in the offshore network results in the loss of the generator's full export capacity, users could receive a payment which is directly passed through from the OFTO revenue stream.

67 The payment would have a value up to the component of the TNUoS tariff directly attributable to the offshore transmission network capacity concerned, and proportional to the export capacity loss.

Accommodating Maintenance

68 A simple availability incentive could discourage OFTOs from planning and undertaking necessary maintenance. An appropriate level of maintenance related unavailability should therefore be accommodated within any reliability incentive.

69 The incentive should also drive an appropriate level of advanced planning, thus allowing users to plan effectively. This could be facilitated by a mechanism to agree and fix maintenance periods at the year ahead stage between the OFTO and users via the GBSO.

70 Expected maintenance period frequency and duration could be set either as part of the standard OFTO specification, or could be tender specific and dependent on the nature of the OFTO network concerned.

71 The OFTO would be incentivised to undertake maintenance as planned by allowing nominated periods to be discounted from the long term reliability measure.

The Overall Package

72 A commonly understood requirement for maintenance on the OFTO network would promote a prudent maintenance regime and therefore promote long term reliability. If combined with a payment mechanism equivalent to a full or partial refund of the offshore element of transmission charges following significant periods of unplanned unavailability, the OFTO would be incentivised appropriately to provide an effective transmission service and users would be entitled to an appropriate level of compensation for a loss of access.

73 Combining the features outlined above suggests an incentive framework which:

(a) Compares OFTO Transmission Service measures against pre-defined availability and reliability criteria;

(b) Allows planned maintenance to be distinguished from unavailability due to faults; and

(c) Provides payment to users if faults occur and are not remedied.

3.2.2 Transmission Charging

74 In line with our obligation to keep our transmission charging methodologies under review, we have initiated industry discussion through a pre-consultation on the charging arrangements for Offshore Networks.

75 The pre-consultation sought views on:

(a) The boundary defining the application of Offshore Connection charges and Offshore Use of System charges;

(b) Offshore Circuit Expansion Factors; and

(c) The treatment of High Voltage Direct Current (HVDC) transmission.

76 Responses to of this pre-consultation will be used to inform proposals for a formal consultation on Transmission Charging as applied to Offshore Networks. This will also be informed by parallel discussions relating to access, compensation and incentives as well as Embedded Transmission taken forward as part of Ofgem and BERR's programme. We agree that these discussions should be progressed through the Transmission Charging Methodology Forum (TCMF) and the Charging Issues Standing Group (CISG).

77 National Grid is currently developing a charging amendment to deal with onshore design variation in connection. It is anticipated that the proposed amendment will provide a financial signal to reflect the lower connection standard and reduced investment requirements. Given the current GBSQSS recommendations for offshore transmission, we intend to develop this charging amendment such that it will be equally applicable to offshore connections.

3.2.3 GBSO Role in the Enduring Offshore Transmission Regime

78 This section outlines our current thinking on the extent of the GBSO's role in the enduring Offshore Electricity Transmission regime. We believe that this will further inform discussions over how the regime could work as well as setting out the areas we expect to be responsible for and, by exception, those we do not.

79 Largely, we see the GBSO role in offshore transmission to be similar to its role in onshore arrangements since April 2005. The table below summarises our current expectations subject of course to discussion and consultation in many areas over the coming months.

Area	GBSO Responsibilities
Balancing Services Procurement	In line with onshore arrangements we would expect all Balancing Services to be procured by the GBSO.
Connection Application	We expect that generator connection applications and modifications to these would be submitted to and processed by the GBSO, culminating in the provision of a connection offer.
Charging, Access and Compensation	Transmission charging for offshore transmission will be developed and kept under review by the GBSO in line with the current relevant objectives. The GBSO will also be responsible for the management of access products. However, the Offshore TO will be responsible for physical provision of the transmission service which users ultimately benefit from.

Area	GBSO Responsibilities
Network Control	We believe that the most efficient arrangement for network control is for the GBSO to undertake direct control of new offshore transmission equipment, thus minimising the need for multiple control facilities. We also believe that direct control is necessary to facilitate real-time management of the GB transmission system given the number of interfaces involved. OFTOs will need to have processes and facilities in place in order to make sure that de-energised transmission equipment can be made safe for maintenance.
Maintenance	The GBSO will have a role in the co-ordination and communication of maintenance plans between network owners and generators where these impact on equipment availability and performance of the total system. Decisions as to what maintenance is required and when this can best be carried out will be taken by the OFTO.
Design	The GBSO's contribution to network design will be restricted to onshore works apart from a degree of co-ordination at network interfaces. The GBSO will select an appropriate onshore entry point based on generic assumptions on offshore costs and any further information relating to the location identified in the user's application. This may change upon selection of the OFTO and finalisation of offshore design.
OFTO Selection	The GBSO will have minimal involvement, limited only to the provision of relevant information from connection applications and offers.
Construction	The GBSO will not be involved in any construction activity although it will need to be able to monitor construction progress and report this to customers.

3.2.4 Embedded Transmission

80 The policy statement document proposes that arrangements for offshore transmission users to connect to the onshore transmission system by means of distribution networks should be based on existing distribution governance.

81 We have communicated our concerns over this approach previously and believe these are still valid. In summary:

(a) Offshore Transmission users connected via Embedded Transmission will have different access, compensation and charging arrangements compared to users with connections directly to an onshore transmission network;

(b) We will be unable to meet our current licence obligations to offer terms within 3 months without a change to distributions companies' obligations or the exclusion of Embedded Transmission solutions from initial connection offers; and

(c) The offshore transmission regime will be spread across multiple transmission and distribution frameworks creating unnecessarily burdensome governance issues and making positive change difficult to deliver in the future.

82 However, in the interests of delivering a workable set of offshore transmission processes in the necessary timescales we have endeavoured to identify and communicate the relevant provisions from existing transmission frameworks that will need be incorporated, in varying degrees, in the relevant distribution governance.

83 A number of issues will need to be addressed in the near future including:

(a) The potential conflict between existing distribution connection timescales (both timing and duration of offer) and our current obligations;

(b) Interactions and inconsistencies between transmission related processes, in particular in the SO-TO code, and distribution related processes;

(c) Governance arrangements for distribution frameworks which place obligations on the GBSO which we should have a commensurate ability to influence; and

(d) The method by which distribution charges, including capital contributions, are passed on to the relevant users.

84 Under the proposed approach, Offshore Transmission users connected to the GB Transmission System via Embedded Transmission will be treated differently to those connected directly. Therefore, as a minimum, we believe that offshore users should be given options to specify either a direct transmission or Embedded Transmission connection arrangement in their connection application.

4. Next Steps

85 As we outlined in our introduction to this response, we have already contributed towards the development of the offshore electricity transmission regime in general, and specifically through our work on the Grid Code, GBSQSS and in the area of transmission charging.

86 We have discussed our input to the programme with Ofgem and BERR and have agreed the principles of cost recovery for this work. We have also undertaken to provide a monthly update of resources and costs to Ofgem (both forecast and incurred) and believe we have managed these to a level which enables essential targets to be met but keeps overall costs to a minimum.

4.1 GBSO Work Areas

87 Our understanding of the work we will be taking forward is summarised in the table below.

Work Area	Activity
Connection Application	We will continue to build policy decisions into our connection applications process and assess the implications for users. As the OFTO selection process is finalised, we will account for its features in the connection application process.
OFTO Selection	We will provide input where necessary relating to the interaction with the connection application process.
Access	Offshore Transmission issues are now being reflected in CUSC amendment discussions in line with the policy statement proposals that onshore arrangements can be extended.
Charging	We will continue to develop the Transmission Charging methodologies to cater for Offshore Transmission in line with the relevant objectives.
Technical Rules	We agree with the recommendations for the Grid Code subgroup and are currently drafting necessary changes. We expect further consequential changes to be driven by developments in related commercial frameworks. Discussions over the development of STC governance have commenced. We expect to progress towards drafting of the STC through a new working group pending finalisation of terms of reference and constitution. GBSQSS drafting is underway in line with the accepted recommendations.

Work Area	Activity
Network Operation	We will organise an initial workshop to commence engagement with interested parties in the autumn. This will cover issues such as network control options, the requirement for plant status indications and planning interfaces.
Embedded Transmission	Drafting will be driven by the DCUSA panel with input as necessary from the GBSO.

4.2 Industry Engagement

88 We welcome the proposal to use existing industry working groups where possible in order to further develop and define policy.

89 It is essential that all interested parties are able to participate in the policy development process. We therefore see a need for further structured workshops and working groups alongside any bilateral discussion with BERR and/or Ofgem. We are conscious however of the need to develop policy in the necessary timescales and with the minimum necessary governance overhead.

90 In areas such as connection application and OFTO selection, we are very aware that the needs of developers are crucial to the design of appropriate processes. The timescales involved with a Crown Estate lease, planning, material and equipment procurement etc may be equally or more time critical to those of the connection application and OFTO selection. We therefore plan to instigate the necessary workshops on the connection process to supplement the bilateral discussions we have been able to conduct to date. The OFTO selection process would ideally be included in these workshops.

91 We also intend to organise an initial session on operational issues in the autumn to set out and seek views on network control, planning and other operational interface issues.

92 Offshore related access and compensation issues are currently being discussed in existing industry groups. In order to ensure that policy decisions are accurately represented in the commercial frameworks we believe it is now necessary to take specific offshore access issues forward with the industry in a dedicated project workstream aimed at formulating the necessary policies and code drafting where applicable.

93 Charging issues can be progressed through the Transmission Charging Methodology Forum (TCMF) and the Charging Issues Standing Group (CISG). We expect to raise a formal consultation on Transmission Charging as applied to Offshore Networks in the autumn.

94 A significant amount of work has already been completed and is planned in the development of the Technical Rules for offshore transmission. This has

been co-ordinated successfully by Ofgem across a number of working groups and should continue for the foreseeable future.

95 We would welcome Ofgem's thoughts on any engagement necessary to develop the relevant electrical standards for offshore transmission equipment, and the means to ensure compliance, either by amendment or extension of existing standards.

4.3 Working Assumptions

96 In order to draft the potential changes to commercial framework text prior to finalisation of policy decisions, we have developed a set of assumptions upon which our subsequent work will be based.

97 As decisions are made, or supplementary drafting instructions are provided, some elements of re-work may be required. We recognise that this risk persists at all stages of any policy development and consultation process.

4.4 Transitional Arrangements

98 We would welcome further thought over the steps required to manage the cutover between current arrangements, go-active and go-live. We are keen to:

(a) Establish the process for migration of existing and pre go-active connection offers and agreements to the new frameworks including the incorporation of any users connected via Embedded Transmission;

(b) Account for transitional OFTO selection rounds in any relevant connection offers;

(c) Discuss the most appropriate way to manage the mid-year switchover to transmission charging for offshore assets implied by the proposed go-live date;

(d) Manage technical compliance issues around offshore infrastructure that will fall under transmission frameworks after go-live; and

(e) Discuss the means by which control of offshore networks will be handed over to the GBSO.

4.5 Timetable

99 The programme is at a critical stage and we look forward the increased level of engagement with interested parties over the coming months as the detailed arrangements making up the offshore electricity transmission regime are discussed, developed, assessed and finalised.

100 We note that the timetable now provides for Go-Active in October 2008 and Go-Live in October 2009. It would be useful to establish and publicises go-active and go-live criteria at an early stage.

101 Finally, we believe that the publication of further timetable information would help to minimise the uncertainty over final arrangements which is an inevitable part of any policy development process.

APPENDIX A: Question Cross Reference

Questions	Reference
CHAPTER: Three (**DESIGN OF REGULATORY REGIME**)	
Question 1: Do you agree with our proposals for the design of the regulatory regime as outlined in this chapter? In particular, we would welcome your views on - the role of the OFTO and the obligations that it would undertake; - the regulatory and contractual framework, including the duration of (and what happens at the end of) the revenue stream, predefined adjustment mechanisms, transfer arrangements, and business separation requirements; - the form and quantum of performance incentives; - dealing with changes to generator requirements; and - the allocation of risk. Question 2: Do you feel that there is any aspect of the design of the regulatory regime that we have not considered sufficiently?	OFTO responsibilities in terms of providing a Transmission Service and OFTO incentives are discussed in section 3.2.1 (Access, Compensation and Incentives). Dealing with changes to generator requirements is discussed in section 3.1.1 (Selection of Offshore Transmission Owners)
CHAPTER: Four (**ENDURING COMPETITIVE FRAMEWORK**	
Question 1: Do you agree with our proposals for the enduring competitive process as outlined in this chapter? In particular, we would welcome your views on: - the use of an annual tender application window; - the design of the tender process, and the stages we have outlined; - recovery of tender costs; and - running the tender process. Question 2: Do you feel that there is any aspect of the enduring tender process that we have not considered sufficiently?	Annual windows are discussed in section 3.1.2 (The Connection Application and OFTO Selection Processes – Windows). Running a tender process and the recovery of costs is discuss in section 3.1.1 (Selection of Offshore Transmission Owners)
CHAPTER: Five (**TRANSITIONAL ARRANGMENTS**)	
Question 1: Do you agree with our proposals for the transitional arrangements as outlined in this chapter? In particular, we would welcome your views on: the pre-conditions for qualifying transitional projects; - the tender process for transitional projects, and whether they capture the potential projects that will require adoption; - the transfer of assets; and - interaction with the enduring regime. Question 2: Do you feel that there is any aspect of the transitional arrangements that we have not considered sufficiently?	Further thoughts are outlined in section 4.3 (Transitional Arrangements)

CHAPTER: Six (**CONNECTION APPLICATION PROCESS**)	
Question 1: Do you agree with our proposals for the connection application process as outlined in this chapter? In particular, we would welcome your views on: - the pre-application process; - the indicative offer process (stage 1); - the final offer process (stage 2); and - the roles of the generator, the GBSO, and the OFTO in this process. Question 2: Do you feel that there is any aspect of the connection application process that we have not considered sufficiently? Question 3: We outline two options for annual tender application windows. Which of the following options do you think are appropriate? - Option 1: A mandatory annual tender application window, to be incorporated into the offshore connection application and tender process; or - Option 2: To rule out an annual tender application window and allow generators to realise cooperation benefits independently and optionally.	The connection application process is discussed in section 3.1.2 (The Connection Application and OFTO Selection Processes). Annual windows are discussed in section 3.1.2 (The Connection Application and OFTO Selection Processes – Windows).
CHAPTER: Seven (**CONNECTION VIA EMBEDDED TRANSMISSION**)	
Question 1: Do you agree with our proposals for connection via distribution networks as outlined in this chapter? In particular, we would welcome your views on: - comparable types of connection; - charging arrangements; and - connection application processes. Question 2: Do you feel that there is any aspect of connection via distribution networks that we have not considered sufficiently?	See Section 3.2.4 (Embedded Transmission).
CHAPTER: Eight (**CHARGING ACCESS AND COMPENSATION**)	
Question 1: Do you agree with our proposals for charging, access and compensation as outlined in this chapter? In particular, we would welcome your views on: - the development of charging arrangements; - access products; and - compensation proposals, particularly whether there should be a penalty only regime in place for the OFTO. Question 2: Do you feel that there are any aspects of charging, access and compensation that we have not considered sufficiently?	Charging, Access and Compensation issues are discussed in section 3.2.1 (Access, Compensation and Incentives). Section 4 covers next steps in this and other areas.

CHAPTER: Nine (**TECHNICAL RULES**)	
Question 1: Do you agree with our proposals for technical rules as outlined in this chapter? In particular, we would welcome your views on: - security standards; and - the recommendations for developing technical rules. Question 2: Do you feel that there is any aspect of technical rules that we have not considered sufficiently?	Our contribution to the further development of the technical rules is outlined in section 4.1 (GBSO Work Areas)
CHAPTER: Ten (**IMPLEMENTATION ISSUES**)	
Question 1: Do you agree with our proposals for implementation as outlined in this chapter? In particular, we would welcome your views on: - changes to licences; and - changes to codes. Question 2: Do you feel that there is any aspect of implementation that we have not considered sufficiently?	Our expectations for the GSBO's contribution to the implementation programme are outlined in section 4 (Next Steps).
CHAPTER: Eleven (**WORKS PROGRAMME**)	
Question 1: Do you agree with our proposed work programme as outlined in this chapter? In particular, we would welcome your views on our proposed approach to industry engagement. Question 2: Do you feel that there is any aspect of our proposed work programme that we have not considered sufficiently?	Industry engagement is discussed in section 4.1 (Industry Engagement) The timetable is discussed in section 4.4 (Timetable) as well as 4.2 (Working Assumptions).