

DEPARTMENT FOR BUSINESS
ENTERPRISE & REGULATORY REFORM

Offshore Transmission

The Government's approach

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Government Energy Policy

Four key goals:

- Cut UK's CO₂ emissions by 60% by 2050;
- Maintain reliability of energy supplies;
- Promote competitive markets;
- Ensure that every home is adequately and affordably heated.

Renewables deployment

Key to delivering CO2 reductions:

- 10% target for 2010;
- RO mechanism to deliver – 15% by 2015;
- 20% aspiration for 2020.

Renewables deployment

On and offshore wind key technology:

- 2GW + wind energy onshore wind deployed;
- R1 & R2 offshore wind;
- 300 MW built and operating
- 8 GW + planned.

Barriers to deployment

Three key barriers identified in White Paper:

- Strengthening RO;
- Reform the planning process;
- Speed up access to the grid;

Development of Offshore Grid

- Up to 8 GW of offshore wind will need to connect to the onshore grid;
- Govt took powers in Energy Act 2004 to licence offshore electricity transmission (and distribution);
- Consulted on options in July 2005

Development of offshore grid

Government concluded that regulated approach would provide most assistance to development of offshore wind;

- Consistency with onshore;
- Payment for connections recovered through transmission charges;
- Risks and costs shared with consumers;
- Enable co-ordination of connections;

Project to develop regime

Joint BERR / Ofgem Project establishing detail of new regime:

Key decisions already taken –

- GBSO role extended offshore;
- Non-exclusive OFTO licences;

Non- exclusive OFTOs

Government concluded this approach would:

- Deliver cheaper quicker connections;
- Encourage innovation;
- Be more focused on generator's needs
- Enable generators to bid to own cable connections if they wished;

Financial benefits of this approach

- Connections built and financed by OFTOs;
- OFTOs bid for regulated revenue stream to recoup cost of construction and operating;
- Developers pay annual TNUoS charges over fixed period;
- Consumer shares risk of asset stranding;

Opportunities for new OFTOs

Government committed to development of offshore wind:

- £2 – 3 billion of new offshore grid infrastructure needed;
- Opportunities for new market players;
- RO changes to support offshore wind;
- Proposals for further offshore development Dec 2007.

Timetable to deliver

- BERR / Ofgem consultation on detailed proposals closed 5 September;
- Further Government response in Autumn;
- Final policy proposals in January;
- Detailed work on codes and licences;
- Go-active of new regime October 2008;
- Go-live October 2009.