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**OFFSHORE RENEWABLES TO GET CONNECTED WITH UP TO £2 BILLION
INVESTMENT**

The UK's booming offshore renewable industry will benefit from measures to connect at least £2 billion of investment to the national grid. The investment will be needed to deliver the necessary infrastructure to connect the eight gigawatts (GW) of planned offshore wind generation.*

The Government has confirmed that Ofgem will run the competitive tender to appoint companies to connect the offshore generation projects. The regulator has also published a follow-up consultation document seeking views on the design of the offshore regulatory regime and on the format for the tender process needed for the project.

The aim is to provide the most cost-effective and efficient connections for offshore generators, while maintaining the principles that ensure the stability of the whole grid network and enable participation in the GB energy market.

In addition the Government announced in December that it is carrying out a Strategic Environmental Assessment (SEA) of a plan for its objective to achieve up to 25GW of offshore wind generation.

Malcolm Wicks, Energy Minister, said: "The UK is on course to become the world's number one location in terms of installed offshore renewable capacity this year. We have been working hard with Ofgem and industry to deliver the necessary regulatory regime for offshore renewables. It is our intention that the new regime for licensing offshore transmission owners should be finalised this year."

Alistair Buchanan, Ofgem Chief Executive, said: "The UK has limited experience of building the links necessary to connect offshore renewables, therefore opening this to competition is vital as it will help get the links delivered more cheaply and quickly. Competition also increases the likelihood of better solutions being developed to build, finance, and operate these links.

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Notes to Editors

* Eight gigawatts of offshore renewable generation is currently planned. In December 2000, The Crown Estate invited applications for site leases allowing the development of offshore windfarms within territorial waters. This first round of 18 offshore wind developments involved relatively small-scale projects, limited to a maximum of 30 turbines per project. Of these round one projects, 12 have received development consents and five are already generating (North Hoyle, and Scroby Sands, Kentish Flats, Barrow and Burbo Bank). Due to their small size, none of the projects that are generating require a distribution or transmission licence.

The round one projects demonstrated the need for a strategic planning framework which was put forward by the DTI in 2002 to set out the basis for the expansion of the offshore wind industry. The framework proposed that development should take place

in three strategic areas: the Greater Wash, the North West and the Thames Estuary. A second round of licensing held by the Crown Estate resulted in the letting of sites for 15 projects (nine in the Greater Wash, three in the North West and three in the Thames Estuary).

1. After a joint consultation and ongoing discussion with Ofgem the Department for Business Enterprise and Regulatory Reform (BERR) has published a response document confirming a number of decisions including:

- that Ofgem will be the body to run the tender process to appoint companies to build offshore transmission links
- that the Government will seek powers in the Energy Bill to enable the Authority to recover the costs of running the tender process from participants in the process; and
- that it will also seek time-limited powers in the Bill to enable Ofgem, in limited circumstances, to make a property transfer scheme for transitional projects. This will ensure assets can be transferred from the generator to the newly appointed transmission company.

2. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000. In this information note, the functions of the Authority under the relevant Acts are, for simplicity, described as the functions of Ofgem.

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