

## Offshore STC Working Group Meeting

### Minutes and Actions Arising from Meeting No. 3 Held on 5 February 2008 In Meeting Room 0.3, Lakeside House, Warwick

#### Present:

Graham Stein	Working Group Chairperson
Lilian Macleod	Working Group Secretary
Mark Duffield	National Grid Electricity Transmission
Joe Dunn	Scottish Power Transmission Ltd
Paul Jones	E.ON
Bridget Morgan	Ofgem
Kenny Stott	Scottish Hydro-Electric Transmission Ltd
Chris Whitley	National Grid Electricity Transmission

#### Apologies:

Ham Hamzah	RWE
Robert Longden	Airtricity
John Norbury	RWE
Bec Thornton	National Grid Electricity Transmission

#### 1. Introductions/Apologies for Absence

- 1 Apologies for absence were received from Ham Hamzah, Robert Longden, John Norbury and Bec Thornton.

#### 2. Objectives and Terms of Reference

- 2 It was noted that Terms of Reference need to be slightly revised to reflect the new deliverables of the Group. The overall objectives and remit of the review remained unchanged. The Working Group report is to be submitted to Ofgem by 7<sup>th</sup> March 2008, which in turn will be submitted to Ofgem/BERR's Project Board on 19<sup>th</sup> March 2008.
- 3 The Terms of Reference will be amended to clarify working group deliverables.

**Action: BM**

#### 3. Meeting Timetable

- 4 Future meetings of the Working Group will take place on 12<sup>th</sup> February and 21<sup>st</sup> February.
- 5 An invitation to participate in the Working Group discussion has been extended to Tony Cotton. The Group noted that Dong Energy may put forward a Working Group nomination.

**Action: GS**

#### 4. Programme Update

- 6 The Group noted that the latest decision document issued by BERR (January 2008) concluded that Ofgem would be responsible for running the tendering process. The cost recovery mechanism would form part of the forthcoming Energy Bill.
- 7 The Group noted that Ofgem published its Regulatory Policy Update in January 2008.
- 8 A further consultation document outlining proposals on Electricity Transmission Licences for offshore transmission was expected soon. It was also noted that it was the current expectation that a Working Group would be established to discuss/identify the necessary changes and that a request for nominations to attend the Working Group would be issued shortly.
- 9 The Group noted that the Embedded Transmission Working Group is due to report on

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14<sup>th</sup> February 2008.

- 10 The publication of the final policy proposals for the offshore regime is planned in April 2008 with the consultation paper on the full regime changes due in June 2008.
- 11 The Group noted that Go-Active and Go-Live for the Offshore regime are planned for December 2008 and December 2009, and that there was a degree of dependency on the Energy Bill timetable.

### 5. Workstreams Update

- 12 The proposed changes to the GB SQSS to reflect the Offshore regime have been circulated to the Offshore GB SQSS Working Group for comment.
- 13 The proposed changes to the Grid Code have been circulated to the Offshore Grid Code Subgroup for comment. National Grid has developed additional legal text reflective of the proposed Grid Code amendment proposal G/06 (Power Park Modules and Synchronous Generating Units) as requested by Ofgem.
- 14 The Working Group noted that the STC legal drafting required to meet the recommendations of the Offshore Grid Code Subgroup will be amended such that it is reflective of the G/06 proposals. The proposed changes will be brought to the third meeting of the Working Group.

**Action: GS/MD**

- 15 The Working Group noted that Access and Compensation Workshop had been held on 3<sup>rd</sup> December 2007 by National Grid. An informal consultation document, reflective of comments and questions received at the workshop, had been issued with responses requested by 8<sup>th</sup> February 2008.
- 16 The Working Group noted that the first transmission charging consultation relating to offshore transmission closed on 30<sup>th</sup> January 2008. A report will be submitted to Ofgem, incorporating comments received. A further consultation is required covering Embedded Transmission and Design Variations.
- 17 A Connections Workshop was held on 1<sup>st</sup> February 2008. Proposals are currently being developed based on feedback received.
- 18 The Working Group was informed that a Tender Workshop would be scheduled for February 2008.

### 6. Working Group Report

- 19 It was noted that there were seven recommendations from the Offshore STC Working Group report published on 31<sup>st</sup> October 2007:
  - i. The STC framework should be extended to encompass offshore electricity transmission;
  - ii. There is a need for a detailed evaluation of the STC clauses and STCPs to identify provisions which are applicable to offshore transmission;
  - iii. STC drafting on governance should be developed to provide for two Offshore Transmission representatives on the STC Committee;
  - iv. There is a need to review STC voting arrangements and develop voting mechanisms which reflect the rights and obligations placed on STC Parties under the proposed Offshore Transmission arrangements appropriately;
  - v. The STC framework should be expanded to include new contractual terms which define the relationship, obligations and responsibilities between National Grid, affected TOs and any Offshore Transmission Owners in design, construction and enduring operation;
  - vi. Necessary baseline technical criteria and minimum service quality standards should be defined for Offshore Transmission in the STC along with the appropriate processes and allocation of responsibilities for demonstrating compliance with these

- criteria; and
- vii. STC drafting for Offshore Transmission should be developed to specify National Grid's requirement to operate Offshore Transmission equipment by remote control subject to the development of appropriate interface procedures and subject to the right of challenge by the Offshore Transmission Owner concerned on grounds of economic efficiency.

### 7. STC to STCP Mapping

- 20 GS presented the 'STC to STCP mapping' paper which summarises the relationship between STC and the forty individual Code Procedures. The relationship between the STC Schedules and the Code itself is also described within the paper.
- 21 The Group noted that Section C (Transmission Services and Operations), D (Planning Co-ordination), E (Payments and Billing) and G (General Provisions) provisions were linked to the procedural information contained with the STCPs.
- 22 The Group noted that the document would be a useful reference document for User during and after the implementation of the Offshore Transmission regime and that no firm decision had been made regarding the applicability of the STCPs offshore.
- 23 GS requested that Group members reviewed the document providing any appropriate comments.

**Action: All**

### 8. Operational Models for Offshore Electricity Transmission Networks and their impact on the STC

- 24 The Working Group noted and discussed a paper presented by GS which summarised the three operational models discussed at previous meetings. The paper also outlines the current STC provisions and considers which may be required to apply any one of the models to Offshore Electricity Transmission:

#### **Model 1**

National Grid directs configuration of the transmission system whilst the OFTO implements switching actions (ie a similar model to that currently deployed on the networks in Scotland).

#### **Model 2**

National Grid has the means to operate key transmission equipment via remote control and equipment is handed over to the Offshore Transmission Owner for safety switching as necessary for maintenance.

#### **Model 3**

Only National Grid can operate transmission equipment.

- 25 As previously discussed National Grid expressed its view that Model 2 should be the default model for offshore transmission. The TOs did not agree with this view and cited a number of unresolved issues which meant Model 2 may not be appropriate. Model 3 had attracted some support from one generator as this model would present users with a single operational interface.
- 26 The Working Group noted that each of the three operational models had overheads attached to them and that it was important to take this into account when assessing the different models against operational requirements.
- 27 In assessing each model, the Working Group agreed that it was important to break down the sequence of events and actions required in taking operational and safety switching actions when managing the transmission system. It was also noted that it was important to given consideration to contingency arrangements.
- 28 The Working Group discussed whether or not it would be beneficial to have a default

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operational model or for the model to be site specific influenced by the preference of the Offshore Transmission Owner. National Grid agreed to give the matter further consideration and report back to the Working Group.

**Action: GS**

29 The Working Group discussed whether it would be possible to introduce an element of competition into the provision of operational and safety switching. The Group noted that given the degree of experience and control room functionality required for operational and safety switching, there may be limited parties who would be able to provide the service and therefore there may be limited opportunity for competitive tendering.

30 The Working Group noted that the STC would define the obligations and the relevant parties' responsibilities and there it was important to define the relevant process such that the provisions could be developed.

31 The Working Group agreed that it was important for members to fully debate and understand the implications of each model. It was agreed that operational models would form the focus of next Working Group meeting, all Group members were invited to bring relevant experts from their organisation to facilitate the discussion.

**Action: All**

32 GS and BM to consider how best to structure the next meeting for group discussion on Operational Models.

**Action: GS and BM**

33 The Transmission Owners to consider the issues raised by Model 2 and 3 for discussion with the Working Group.

**Action: KS and JD**

34 Users to consider the implications of all of the potential opinions for discussion with the Working Group.

**Action: PJ**

35 GS requested that Group members reviewed the document providing any appropriate comments.

**Action: All**

### 9. National Grid's Obligations under the CUSC

36 MD presented a paper to the Working Group which summarised the obligations placed on National Grid through the CUSC. The obligations generally fall in to following categories:

- Timing and production of Connection Offers, Bilateral Agreements and Short term TEC Products
- Pre-conditions to be met by Users before the energisation of their connection to the GB Transmission System by the relevant Transmission Owner
- Obligations connected with the transmission of electricity to or from a Connection Site
- Connection Site Specifics
- The Construction Process
- Execution and planning of Outages on the GB Transmission System

37 The paper highlights those clauses that National Grid initially considers should be backed off onto an Offshore Transmission Owner. The Working Group noted that all the CUSC obligations listed in the document have been backed off directly onto the Onshore Transmission Owners through the STC or appropriate STC obligations exist that allow National Grid to discharge its CUSC obligations.

38 GS requested that group members reviewed the document providing any appropriate comments.

**Action: All**

### 10. STC Framework

- 39 GS present a paper to the Working Group which outlines the provisions that National Grid see as essential components in the STC framework as applied to offshore transmission. These are needed to both define and secure the offshore transmission service required to enable National Grid to discharge its obligations to offshore users who are physically connected to parts of the GB Transmission System that are provided by another transmission licensee.
- 40 It has been acknowledged that there are differentiating factors between the existing onshore TOs and potential Offshore Transmission Owners which may necessitate a different approach from the current STC framework. These are:
- The Offshore Transmission Owner is building an entirely new and discrete network rather than expanding an existing service provisions;
  - The Offshore Transmission Owner will not be subject to the regular price reviews which are performed on the existing TOs; and
  - The Offshore Transmission Owner may not have a track record of delivering electricity infrastructure under the UK's legal and regulatory framework.
- 41 The Working Group noted that National Grid has identified the following areas of the STC which need to be developed to cater for these differences:
- **The TO Construction Offer as applied to OFTOs** – the terms under which the OFTO delivers the offshore infrastructure required to deliver the user's connection including an OFTO Construction Agreement.
  - **Technical, design and operational Performance Criteria** - design criteria and technical specifications as applied to offshore transmission network
  - **User and network interfaces** – information and agreements required to manage both onshore and offshore interfaces.
  - **Service Capability Specification** – the enduring capability of the offshore network as delivered after design, construction and commissioning.
  - **Availability and Performance Criteria** – agreed methodology for defining performance and availability measures in relation to Transmission Service Provisions.
  - **TO Revenue** – collection of and any adjustments to OFTO revenue necessitated by the OFTO Incentive arrangements.
- 42 The Working Group noted that the STC provisions relating to investment planning will also need to be adapted for offshore transmission to reflect the fact that the Offshore Transmission Owner will not have ongoing investment planning responsibilities equivalent to those borne by onshore licensees but will be affected by third party works.
- 43 The Working Group noted that the provisions in the STC relating to offshore transmission could be specified in three different places:
- The STC;
  - The Code Procedures (STCPs); or
  - Bilateral Agreement.
- 44 The Working Group noted that given that many of the provisions outlined in the document are consistent with but more detailed than the current STC, it would seem appropriate that these are defined either in:
- New, Offshore Specific, STCPs; or
  - Bilateral Agreement between National Grid and the OFTO.
- 45 Where provisions are generic to all OFTOs then these provisions could be defined within offshore transmission specific STCPs.
- 46 GS requested that group members reviewed the document providing any appropriate comments.

**Action: All**

## 11. Governance

### Committee Representatives

- 47 MD presented a paper to the Working Group which provided further detailed information on a proposed structure of the STC Committee to accommodate the parties expected to accede to the STC as OFTOs. The paper outlined recommendations for the:
- Restructuring of Committee Membership
    - Up to 2 members appointed by National Grid
    - Up to 2 members appointed by each Onshore Transmission Owner
    - Up to 2 members representing Offshore Transmission Owners
  - Appointment of Committee Members
    - It is recommended that the Offshore Members should be appointed annually by elections canvassing the views of Offshore Transmission Owners who are party to the STC
  - Resignation/Replacement of Committee Members
  - Attendance at Meetings
  - Quorum
- 48 The Working Group agreed that the procedure for appointing the chairperson for the STC Committee could be amended such that STC Committee representatives shall agree who the STC Committee Chair should be rather than the current practice of all parties to the STC needing to reach agreement.
- 49 The Working Group discussed the applicability of the current format of the Amendment Report and Amendment Consultation Report for offshore requirements. It was noted that currently the Amendment Consultation Report provided an impact assessment from each STC Party. The Working Group agreed that this may provide difficult to achieve if there was multiple STC Parties. The Working Group agreed that going forward it would be beneficial if there was a STC Committee view contained within the Amendment Consultation Report; this was in line with existing CUSC governance practice.
- 50 It was noted that changes to the STC Amendment Process may necessitate Licence changes. BM to investigate and provide an update to the Working Group.

**Action: BM**

### Voting

- 51 MD presented a paper to the Working Group which provided further detailed information on a potential STC voting mechanism. The mechanism would only be applicable to agreeing to changes to STCPs and establishing new STCPs. The voting mechanism proposed is based on the framework utilised in the DCUSA. For matters put to a vote the following principles would apply:
- Where a matter is put to a vote, the STC Committee will decide which Party Categories are affected by the matter being voted upon i.e. 'Affected Party Categories'.
  - Each Group within an Affected Party Category will be sent a voting form setting out the decision to be taken.
  - Each Group would have a number of days to return its vote.
  - Each Affected Party Category would approve the matter being voted upon if more than 65% of the Groups who vote within an Affected Party Category, vote to approve the matter, otherwise the Party Category will be deemed to reject the proposal.
  - The matter being voted upon will be deemed to be approved if all Affected Party Categories vote to approve the change; otherwise it shall be deemed rejected.
- 52 MD requested that group members reviewed the documents providing any appropriate comments.

**Action: All**

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- 53 The Working Group agreed that National Grid should provide an overview of the entire proposed STC governance framework under the Offshore Transmission regime (including Accession) to the third meeting of the Working Group.

**Action: GS and MD**

### 12. Next Steps

- 54 The Working Group agreed that the next Working Group meeting (12<sup>th</sup> February 2008) would focus on the Operational Models and Technical Standards/Requirements.
- 55 The Working Group also noted that the Accession Agreement process be required to be reviewed/discussed such that the provisions where reflect of the Offshore Transmission regime e.g. when does the STC provisions become applicable on the Offshore Transmission Owner. National Grid will present a paper outline the issues and potential way forward to the third meeting of the Working Group (21<sup>st</sup> February 2008).
- 56 The Working Group agreed that it would be beneficial for the papers presented at the meeting to be made publicly available, possibly on Ofgem's Offshore website.

**Action: GS/BM**