

Offshore Transmission Team,  
Ofgem,  
9 Millbank,  
London,  
SW1P 3GE

23<sup>rd</sup> July 2008

Dear Sir,

### **British Energy response to Offshore Electricity Transmission – Regulatory Policy Update**

British Energy (BE) welcomes the opportunity to comment on the above consultation document. BE is the UK's largest generator of electricity. We own and operate eight nuclear power stations as well as Eggborough Power Station (a large coal plant with two units fitted with FGD) and four small embedded gas generator sites.

Clearly there is a lot of work being undertaken by the Transmission Access Review (TAR) working groups. It is essential that offshore arrangements are consistent with any changes as a result of the review. It is not clear that all of the proposals here fit with the TAR work to date.

#### **Chapter 2 – Design of the Regulatory Regime**

It only seems fair that the OFTO's regulated revenue is index linked. This will ensure that revenue streams are recoverable in real terms over the life of the asset. This will remove the risk to the OFTO that it will not recover its costs in real terms.

BE believe that an OFTO should be set tight performance obligations and incentives. Imposing financial penalties is one way of incentivising an OFTO. We agree that the incentives should be based around capacity delivery and operational availability. The main goal of a OFTO should be connecting a generator onto the system and then maintaining availability. Offshore network reliability and availability is important as it could have implications for the running of the onshore transmission system.

If an OFTO consistently underperforms then there should be stricter financial penalties introduced and if this does not work then the option of replacement should be considered as a last resort. It is not fair on the generator to suffer due to the underperformance of the OFTO.

#### **Chapter 3 – Tender Process (including Transitional Arrangements)**

If a developer can meet all the preconditions listed in the consultation document then this should save time and money. If a developer can provide as much information as possible then this should reduce the risk of a hold up in the future. It seems that it would be more sensible for a developer to do the seabed survey as it would avoid duplication and possibly speed up the process.

BE believe that where appropriate the process of offshore connection should mirror that of onshore. Onshore development security has to be provided by the onshore TO so it seems sensible that onshore arrangements should follow for offshore TOs.

#### **Chapter 6 – Technical Rules and Industry Codes**

We have the following comments to make on the BSC drafting.

On page 1 the summary description of proposed changes is to 'Extend Great Britain to Offshore'. Looking at the proposed changes, this appears to mean 'Extend the scope of the BSC to include both Great Britain Onshore and Offshore Transmission Systems (as defined in Transmission Licence and Energy Act), rather than redefinition of Great Britain itself to include Offshore.

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On page 4 there are proposed changes at H3.2.1(c) & K5.4.8 relate to governance of Interconnectors, where there is currently a distinction made between an Interconnector connected to 'an External System in Great Britain' and one connected to 'an External System outside Great Britain'. The proposed change is that approval of the Secretary of State would be required for appointment of an Interconnected System Operator as a 'last resort' Interconnector Error Administrator (H3.2.1) or for de-energisation of the interconnector (K5.4.8) in all cases, whereas currently the Authority may approve such matters for an interconnection to an 'external system in Great Britain'. This change does not seem directly related to the issue of GB offshore transmission systems.

Will an Offshore Transmission System be considered 'an External System outside Great Britain'? This would seem inconsistent with the redefinition of an External System. It would imply that offshore transmission systems might be treated under the BSC as Interconnectors, but with the issue in question determined by the Secretary of State rather than the Authority, in a similar manner to 'external systems outside Great Britain'? Or is this simply an opportune change indicating there are not and will not be any external interconnections other than those connecting to an External System outside Great Britain, where the Authority's power is less relevant?

On page 6 there are proposed changes at X Annex X-1 to definition of an External System: We assume the revised definition of an External System is not intended to include systems in the Offshore Waters ("which is outside Great Britain and [is not] Offshore" rather than Offshore being explicitly an external system ("which is outside Great Britain and [is] Offshore"). Otherwise there would be little point in changing the definition.

The consultation says '1.18 On 1 March 2007, the Government announced its decision to grant a class exemption for offshore electricity distributors from the requirement to hold a distribution licence'. For the BSC and other Codes, this implies that plant and apparatus connecting to offshore networks below the 132 kV offshore transmission voltage would not be bound by the usual distribution and supply regulatory framework for embedded generation and supply.

On page 5 there are proposed changes to BSC K1.3.2(c) is that the Transmission Company take responsibility for the Offshore Transmission Connection Point, which according to proposed definitions is between an Offshore Transmission System and a Distribution System. This is inconsistent with most other Transmission Connection Points, where the party connecting to the Transmission System is responsible, for example generators and distribution companies.

On page 7 there are proposals that Annex X-1 definition of 'Grid Supply Point' currently between the Transmission System and distribution be extended to include an Offshore Transmission Connection Point between Offshore Transmission and a Distribution System. Given that the Transmission System will include Offshore Transmission Systems, this change is not necessary.

Given that changes to BSC are minimal, that no changes to the requirements for BM Units have been proposed, and no references are made to offshore distribution systems, we assume that offshore generation (and/or demand) will be represented in the BSC as BM Units in the normal way, with requirements for metering and registration associated with parties individually responsible for the flows at boundary points with the Transmission System (whether onshore or offshore). We assume that offshore transmission system connections with onshore systems will not be treated as interconnectors with external systems, but would welcome clarification.

## **Chapter 7 – Transmission Charging, access and compensation**

As mentioned previously where appropriate we believe that offshore should follow onshore as much as possible. This avoids increased complexity and keeps a level of transparency. Therefore it is sensible for compensation arrangements for offshore generation to lie within the CUSC, for availability compensation to be in the STC and performance objectives to be set out in the offshore transmission electricity licence.

### **General**

We believe that there may be inconsistencies related to pages 4, 7 & 12. We consider that any regime for new offshore connections should be applied as consistently as possible with the equivalent process for new

onshore connections, and this should be taken into consideration in any development of revised transmission access or charging arrangements?

If you have any questions please do not hesitate to contact me.

Yours sincerely

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British Energy, Trading and Sales