

Sam Cope (Ofgem) and Paul Hawker (DECC)  
Response sent by email.

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Dear Sam and Paul

**Material issues response to the Joint Ofgem/DECC consultation on the Offshore Transmission Regime – published 20 November 2008**

BWEA welcomes the opportunity to make a response on the latest joint policy statement regarding the offshore transmission regime.

Representing 456 corporate members, BWEA is the UK's leading representative for the wind, wave and tidal energy industry. Further information on the work and membership of our organisation can be found on our website, [www.bwea.com](http://www.bwea.com).

**Timing of the regime**

A further delay to the Go-Active and Go-Live dates has been announced in the current consultation. While the need to ensure the regime is fit for purpose is important, this delay also creates a degree of uncertainty for developers who predict they are on the edge of entering the transitional or enduring regimes. This has significant impact on development assumptions and decisions for these projects. It is also a concern for potential OFTO companies considering the regime and manufacturers who must try to predict how many projects will come forward.

We would ask that you confirm that no further delay will be necessary. If a further delay is required then it may be preferable to delay by a sizable period, such as two years, and so give clarity to all parties, than to propose another series of shorter delays.

Whilst we welcome the implied flexibility of the regime, this is not sufficiently certain within the published documents against which participants can make informed business decisions. As a general principle, if areas of the proposed

regime deviate from the objectives of the regime then it is better to amend or remove them than to increase flexibility.

### **The need for a strategic approach to offshore transmission**

As stated in previous responses, collaboration between projects and planning for an offshore transmission network will be important for the delivery of Round 3. We continue to support this position and will elaborate further in our full response.

We expect the work by Crown Estates and ENSG to clearly show that coordination of onshore and offshore connections between zones and projects results in a more efficient overall network. It is in the economic interests of Great Britain that the offshore regime assists rather than prevents this coordinated approach.

### **Third Package Unbundling requirements**

The decision that companies must divest either their generation and supply or transmission assets has serious implications for the regime.

Firstly, BWEA consider that this interpretation of the model means that a developer could not be an OFTO. Further explanation as the interpretation of the directive develops would be appreciated and a further explanation the practical implications of the ISO and ITO models would be helpful.

On the OFTO of last resort, it is appreciated that Ofgem and DECC have tried to give comfort that an OFTO will be made available should the tender process fail. This does however represent a major change to the proposed regime and so will introduce uncertainty. The contract for the OFTO of last resort will be crucial. A developer will wish to understand the terms and agreements that the OFTO of last resort will be subject to in advance and ensure they know what terms they will receive should the tender fail. The potential OFTO of last resort will wish to know more about how it will be regulated by the standard license condition.

The potential for the extension of the OFTO of last resort mechanism to the enduring regime has not been made clear. Whilst reference is made in the consultation to a process akin to the supplier of last resort mechanism, more detail is sought. There may be a role for the OFTO of last resort in the event of abandonment, in either the transitional or enduring regimes.

The pool of OFTOs available will now undoubtedly be restricted. BWEA would request confirmation of the number of potential OFTOs available. It would be helpful to know whether these are able to bring both finances and expertise.

### **Availability and performance obligations**

BWEA would like to explore the possibility that an incentive is developed based on annual GWh availability of the wind farm rather than based on the period of availability. This new target would be based on annual energy output taking into

consideration of the intermittent nature of the generation. We will include further detail in our full response.

### **Charging and Socialisation**

In response to the June consultation, we raised a concern that the review of the charging proposals put forward by National Grid represented a reduction in the socialisation of costs. BWEA has made a separate response to the National Grid Consultation. There, we raised concerns that a change to charging at this stage in many projects' development was harmful to the ability of these projects to deliver. Projects have made assumptions on the equivalence of the on and offshore charging regimes and altering this equivalence means that projects must reassess their financial viability. These additional costs should be reconsidered in the wider framework of costs and incentives across the whole offshore wind industry.

### **The need for review**

The members of BWEA are committed to meeting the UK's share of the 2020 targets and securing greater UK energy independence by delivering a quality and fit for purpose offshore generation and transmission system.

The changes put forward, and in particular those referred to above, represent a major change from the previous consultation. A significant amount of uncertainty is attached to these changes. It is vital that more work is done to resolve these issues and give greater clarity to the regime between now and Go-Active/Go-Live. BWEA offers its resources to support the development of this process.

We previously stated that an assessment of the performance of the regime should be made once the first transitional and enduring projects have been completed. We now feel that a review and changes must be made before the regime is ready for implementation.

BWEA sees its role as developing solutions in working with DECC, Ofgem and the wider industry. We wish to offer our assistance in any way we can to help further develop this regime.

Yours sincerely

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