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Thursday 18 December 2008

Dear Sam

**Offshore Electricity Transmission - A further Joint Ofgem/DECC Regulatory Policy Update:
E.ON UK Material Issues Response**

Thank you for this opportunity to provide comments of a material nature on the latest consultation document on the Offshore Electricity Transmission Arrangements.

Our comments are limited to two areas of the transmission charging proposals for offshore transmission, these are;

- i) Treatment of offshore platforms
- ii) Treatment of Licence Exempt Embedded Transmission connections

We consider each of these in turn below.

Treatment of Offshore platforms

We note that Ofgem has chosen not to veto GBECM-11, charging for local generator assets. This would seem to set the onshore precedent for similar treatment of offshore platforms proposed under GBECM-08. Whilst we are disappointed that the treatment of generator substations has not been re-considered, we would continue to highlight the detrimental affects that the proposed implementation of GBECM-08's treatment of offshore platforms will have on the development of offshore wind in the UK and in the light of the UK's 2020 renewables targets.

Treatment of Licence Exempt Embedded Transmission connections

We would like to confirm our position with respect to National Grid's GBECM-08 charging proposal further consultation document, published in October 2008, with respect to the

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treatment of Licence Exempt Embedded Transmission connections.

We note the conclusion of Ofgem's internal review with regard to the proposed treatment of Licence Exempt Embedded Transmission connected generators; that these generators should enter in to a bilateral connection agreement with National Grid and be subject to the appropriate transmission charges. We do not agree with this conclusion in respect of transitional projects. Our concerns relate to the detrimental consequences of this decision to those current licence exempt transitional projects that have not had the option to choose their connection tier.

We support the intention of National Grid's proposal to levy a new ETUoS charge in principle, for those generators under the enduring arrangements that have opted for an embedded transmission connection, as this seems to be the most sensible way to pass on the DNO element of the total transmission charge.

We do not however support the extension of the wider TNUoS charging principles to transitional projects. This is because at the time these generators opted for a distribution connection they could not have foreseen the subsequent charging related consequences introduced by Ofgem's decision.

Notwithstanding the small generators discount, these generators will derive no benefit from paying the TNUoS components imposed upon them. The transmission system has not been reinforced to provide the wider Transmission Entry Capacity (TEC) and they will receive no compensation in the event of a constraint on the wider transmission network, or in the event of a constraint on the distribution network to which they are physically connected. These generators will be contributing to the cost of the wider transmission system but receive no benefit from it. If these projects are to have TEC we would question whether the wider transmission network is compliant with the SQSS as a consequence of this new additional embedded transmission generation.

We support the alternative proposal for the treatment of Embedded Benefits outlined on pages 26-28 of National Grid's GBECM-08 further consultation document. This is akin to a deep charging arrangement, whereby the Licence Exempt Generator will be liable for the cost of the offshore transmission assets which physically connect it to the onshore distribution network and for the DNO component of the charge, proposed to be recovered through the new ETUoS charge, but not the wider onshore transmission charging elements. In our view this is a fairer and more cost reflective way of recovering the costs incurred by transitional licence exempt embedded transmission connected generators.

We continue to have concerns with regard to transitional project specific technical issues for licence exempt embedded transmission connected generators. These arise from the



consequences of designing to the prevailing DNO and LEEMPS connection and SMRS settlement requirements and subsequently being treated in a similar fashion to direct transmission connections; how they operate to the corresponding transmission arrangements in terms of Grid Code and BSC compliance and the potentially large number of derogations and non-standard working arrangements that may be required. We look forward to working with Ofgem further to resolving these detailed issues.

Yours sincerely

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