

Our date
2008-07-0309

Our reference
AU-TNE NE-00019

Administrative officer
Torkel Sjoner

StatoilHydro

Your date

Your reference

Sam Cope
Ofgem
9 Millbank
London SW1P 3GE
United Kingdom

Paul Hawker
DECC
3 Whitehall Place
London SW1A 2HH
United Kingdom

Oslo, 9th of January 2009

Offshore Electricity Transmission – A joint Ofgem/BERR Regulatory Policy Update

Dear Sirs,

StatoilHydro would like to thank you for the opportunity to give our final response to the Consultation Paper issued on 20th November 2008. Our initial substantial comments were outlined in our letter dated 18th of December 2008.

StatoilHydro is the 100% owner of Scira Offshore Energy Ltd. that holds the Agreement to Lease and all consents related to the 315 MW Sheringham Shoal offshore wind farm in the Greater Wash area. Section 36 Consent was granted in August 2008, final investment decision is planned first quarter of 2009. Construction contracts for the project have been awarded. Commissioning will commence in May 2010 with production start up in 2011. Sheringham Shoal Wind Farm is thereby one of the transitional projects. StatoilHydro is aiming to increase its offshore wind activities in the UK by participating in future rounds of offshore wind farm licensing.

As outlined in our letter dated 18th of December, our main concerns related to the new OFTO regime are:

- StatoilHydro's concerns regarding the new regime have increased significantly after the last consultation, by the removal of the opportunity to be our own OFTO. The wind farm developer has now no opportunity to limit the risk for high transmission tariffs or to ensure that an OFTO is in place when needed.
- It is difficult to see that the new regime will have the intended positive effect either with respect to coordinated development of infrastructure systems for a total area nor optimal design of transmission system for a specific wind farm. The design of the Sheringham Shoal project clearly demonstrates a cost optimal design which we believe will not be allowed for in the new regime, as it is based on an integration of the generation system and the transmission system. A full compliance with the new regime would add an estimated 15 M£ in investments for the transmission system alone.

- The schedule for the OFTO regime and appointment of an OFTO do not match the schedule of the transitional projects and will cause delayed commissioning and start up of the plant unless the generator is given a license to operate the transmission system until the OFTO is operable.
- Sheringham Shoal is planned and designed according to the existing code, and it will meet the output requirements at distribution network connection of the new code if operated as an integrated system, while the technical solution for the individual systems (generation and transmission) is strictly not in compliance with the new OFTO requirement.


StatoilHydro considers that the OFTO Regime will introduce onerous scheduling and cost risks for developers of transitional projects which need to be addressed by Ofgem/DECC.

StatoilHydro's recommendations are summarized below:

- (a) Changing of the definition of "Offshore Transmission to "above 132 kV", thereby omitting the point-to-point production radial solutions where we fail to see any benefit of the OFTO system, but allowing for a regulated OFTO regime for regional offshore net work solutions or bigger transmission lines from the coming huge 3rd round areas where AC/DC or system voltages above 132 kV solutions are more realistic.
- (b) If not (a): At least the transitional projects should be excluded from the regime because the new regime adds too high risks to the developer and has the potential to jeopardize the projects.
- (c) If not (a) nor (b): If transitional projects can't be excluded from the regime on a general basis, we recommend that they should be given a temporary transmission licence in order to be able to build the system, conduct all commissioning and start generation before the tendering process for OFTO is initiated. If the generator is licensed to operate the entire system in this intermediate period after GoLive and until the date that the OFTO is in a position to commence operation of the transmission assets, the risk for late design changes and the schedule risk will be minimized. This will also enable bidders to fully assess the project, including the costs incurred by the developer in constructing the transmission assets, when preparing their bids.

Please do not hesitate to contact us if you require further information or clarification.

Yours sincerely



Rune Rønvik
Asset Manager Sheringham Shoal
StatoilHydro