

Offshore Transmission Team  
Office of Gas and Electricity Markets  
9, Millbank  
London  
SW1P 3GE

Your Ref: Ofgem 153/08; DECC URN 08/1185

12<sup>th</sup> December 2008

Dear Sir or Madam,

**Offshore Electricity Transmission: A further Joint Ofgem/DECC Regulatory Policy Update**  
**Ref: Ofgem (153/08), DECC (URN 08/1185)**

Please find below Warwick Energy Limited's (Warwick's) initial written comments in response to the above consultation document on Offshore Electricity Transmission.

In respect of the timescales for the consultation Warwick notes the proposed deadline of 9th January 2009. The latest consultation covers all the proposed codes that will govern the new regime. As such Warwick does not believe that the closing date of 9th January 2009 for comments will allow sufficient time for a properly considered industry response – especially given that the intervening period includes the Christmas holidays. Clearly it is essential that the new regime is properly thought through and that no unintended errors or omissions at this stage adversely affect future development of the industry. In view of the importance of proper informed comment on the process by the wider industry Warwick would call for a one month extension of the closing date for responses.

We are in the process of reviewing the documentation provided and will make a full response at the appropriate time. Pending this we would provide some initial detailed comments in the attached document.

In spite of previous consultations there is still uncertainty regarding Ofgem's OTFO of last resort proposals for transitional projects. Warwick notes the latest changes due to EU Unbundling legislation and this is further discussed in the attached paper.

The problem arises purely because of the arbitrary decision to define 132kV as a transmission voltage for Offshore networks. Further this approach is in direct contrast to the approach adopted in England and Wales where no such transmission licence is needed. The simplest approach would therefore be to exclude transitional projects from the entire licence regime. No explanation has been given as to why such a common sense option has been discarded.

Defining transmission offshore at something above 132kV may also be attractive as this would focus a new regime primarily of Round 3 projects which is far more appropriate as earlier projects are being developed with bespoke radial connections.

A focus on Round 3 projects will also provide more time for the numerous problems within the current proposal to be addressed.

An alternative would be to allow for existing asset owners to be granted OFTO of last resort status without having to bid for the assets. This may be achieved within the proposed framework of the EU Unbundling proposals on the same basis that Ofgem has implied could apply to existing generator/transmission owners.

Warwick also wishes to express many general concerns regarding the overall enduring proposals. Despite feedback from previous consultations the proposals still appear to be overly complex – particularly in terms of the proposed connection application and tendering processes. Warwick continues to have real concerns regarding both of these areas, which appear complex, costly, time consuming and difficult to manage. The proposals will undermine and distract efforts to develop offshore wind projects.

The changes to the charging regime proposed under the latest version of GB ECM08 mean there is now almost no socialisation benefit to generators from the proposals. Put simply the generator now has to pay for the entire OFTO network with negligible socialisation. However despite this the generator effectively has no control over how the network is owned, operated or maintained other than via an indirect and tortuous route. It is hard to see how this approach can possibly result in a lower risk, more cost effective service being provided to the generator than for the existing merchant regime.

Warwick believes there remain major difficulties with the entire OFTO proposals. Indeed we currently believes that extending the existing onshore transmission franchises under the 'connect and manage' ethos would best match the stated aims of connecting major increases in offshore wind capacity in a timely and efficient manner. This would allow a more strategic and holistic approach to be developed for both onshore and offshore grid networks to the benefit of all UK consumers. A major HVDC offshore grid, owned and operated by National Grid, will provide the industry with the best opportunity to meet its targets and to allow interconnection with continental networks.

Despite the numerous fatal flaws in these proposals Warwick continues to make constructive suggestions in response to Ofgem's and NGET's consultations on the subject. These could help limit the damage if these proposals are imposed on a reluctant industry.

I trust the comments are clear however please do not hesitate to get in touch if you require any clarification on any of the points made.

Yours faithfully,

Mark Petterson  
Director  
Warwick Energy Limited