

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

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

9th January 2009

Dear Sir or Madam,

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

This letter gives a brief summary of Warwick Energy Limited's (Warwick's) written comments in response to the above consultation document on Offshore Electricity Transmission. A more detailed response is given in the attached document

In respect of the timescales for the consultation Warwick requested an extension to the proposed deadline of 9th January 2009. Warwick does not believe that this closing date allowed sufficient time for a properly considered industry response – especially given that the intervening period included the Christmas holidays. Correspondence with Ofgem indicated that there could at best be limited flexibility in receiving a final submission close to 9th January. Warwick continues to believe that 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. With this in mind we have endeavoured to meet the requested time scales although the scope of our response has been somewhat reduced as a result. We remain concerned that the quality and extent of feedback from wider industry participants will also have been adversely affected by the timescales.

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 license is needed. The simplest approach would therefore be to exclude transitional projects from the entire license regime. No explanation has been given as to why such a common sense option has been discarded.

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 could 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 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 OTO network with negligible socialisation. However despite this the generator effectively has no control over how the network is designed, 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 OTO proposals. Indeed we currently believe that, if a change is needed, 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.

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.

The preferred outcome from this consultation is however that the 'Go Active/Go Live' timetable is delayed whilst a full review is undertaken to ensure that any new regime best meets the needs of the industry and UK consumers.

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