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Your Ref: 21/09 (plus 21/09b-f)

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Dear Richard,

**Offshore Electricity Transmission: Updated Proposals for the Competitive Tender Process Ref: 21/09**

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

Our detailed comments are made separately in relation to various sections of the consultation document and associated annexes.

The latest consultation document provides welcome detail, and some revisions which help clarify some aspects of the proposed regime. However a number of critical areas concerning the tender process are highlighted in our response and include:

- For transitional projects the scope, complexity and late introduction of the Sale and Purchase Agreement (SPA) proposals means that these agreements are unlikely to be in place in a timely manner. This is likely to impact on the viability of the proposed Go Active/ Go Live Dates and the entire transitional regime;
- Compliance issues and adoptability criteria for equipment – there is no means of identifying or resolving these for transitional projects within the process. These will add risk and thence cost to bidders' submissions;
- There is little prospect of cost or network sharing between projects – i.e. projects will continue to be designed on a radial standalone basis;
- The lack of an overall design stage within the process to ensure that best value network designs are used for OFTO networks;
- Lack of clarity on how technical content of the ITT is to be developed – and what level of detail will be included;
- How bids are to be compared on a levels playing field when the range of technical solutions could be diverse;
- The timescales taken by the process. Even in the transitional regime a minimum of a full year is envisaged between prequalification and issue of an OFTO License.

- The proposed 6 month ITT stage including clarification and Ofgem tender assessment stages is unlikely to allow bidders sufficient time to provide firm costs;
- The consultation appears to include tacit admission that the regime is unlikely to meet its objectives and will require subsequent amendment.

Warwick notes that Ofgem itself is already indicating that significant changes to the proposals may be required to:

- Achieve overall regulatory goals;
- Encourage new entrants; and
- Introduce an auctioning system, to alleviate Ofgem's apparent concern that the regime will not deliver best value.

This raises a number of issues not least discrimination between early and late comers. It also appears perverse to introduce a new regime with the expectation that after a single tender round the regime will need to be re-designed.

Equally this could be interpreted that the basic proposals are not fit for purpose and a fundamental review is required before the proposals are imposed on the industry.

Warwick believes that the above issues present an overwhelming case to either:

- Delay the introduction of the new regime by 2 years and allow developers to own and operate the networks being built as originally intended. The overall regulatory proposals can then be properly reviewed and amended as appropriate in the context of overall offshore requirements;
- Allow transitional projects the option to opt out of the regulatory regime on a project by project basis.

Warwick believes that the simplest approach would be to allow developers to apply for exemption from these untried arrangements if they so wish. No explanation has been given as to why such a common sense option has been discarded.

Warwick also wishes to express many general concerns regarding the overall enduring proposals. As the overall proposals are developed in increasing detail in successive consultations the inherent problems of the basic regulatory framework are becoming increasingly apparent. 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.

Warwick believes there remain major difficulties with the entire OFTO 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. It would provide a more strategic and coordinated solution to this critical challenge for the UK and better facilitate interconnections with other grid systems in the EU.

Despite the numerous fatal flaws in these proposals Warwick has made a number of constructive suggestions in the attached paper. These could help limit the damage if these proposals are imposed on a generally 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 sincerely,

Mark Petterson  
Director  
Warwick Energy Limited