

Offshore Transmission Final Consultation
Department of Energy and Climate Change
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Dear sir

Response to the Final Consultation on Offshore Regime

Vattenfall is pleased to respond to this final consultation on the offshore transmission regime before the first transitional tenders begin this summer. Vattenfall has two transitional projects, Thanet and Ormonde, and we are naturally focused on timely appointment of an OFTO for both of these projects. Vattenfall has responded to Ofgem's previous consultation on the tender regulations, where our comments focus on our desire to see that the tender process can work well with the timelines of these two projects.

Vattenfall also has major aspirations for further development of offshore wind in the UK and is actively engaged in the Round 3 process. Our comments here are for the most part in the context of the enduring regime applying to Round 3 projects.

We support Ofgem / DECC in its desire to bring efficiencies in the transmission of electricity from offshore wind farms via a competitive process. Any private company or public body procuring these services would do the same. Ofgem is taking on this role on behalf of UK customers and in principle we have no objections to this. There are some aspects of the regime, or its interaction with the business environment, that we would like to highlight, as follows:

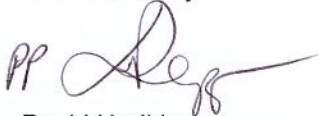
- Risk allocation for network failure. The generator is currently bearing this risk with limited scope for managing the risk. We need to be able to influence the outcome of the network design and operational strategy. At the moment, Ofgem's focus is on generator's influence on the initial specification, and our ability to veto the outcome. Clearly we would like to avoid using any power of veto through a greater level of influence leading up to the Agreement to Vary stage.
- Timescales for Round 3. Vattenfall is committed to meeting the challenge of the UK government's 2020 targets. We have already invested significantly in the market and our company ambitions are very much in line with the UK drive to transform and decarbonise its energy industry. The decade between the first enduring tenders and 2020 does not leave much if any room for pause or review should the regime be a source of delay. It will be important to get it right from the outset if target dates are not to be jeopardised. We are therefore very encouraged by the work of the ENSG and see follow-through of its work as being on the critical path. We also consider it essential that the

offshore transmission regime is capable of delivering strategic, anticipatory investments for Round 3.

- The supply chain and skills availability is clearly identifiable as a potential bottleneck for delivering Round 3. Stakeholders need to all play their part in alleviating this and Vattenfall is pleased to see that government Ofgem / DECC have raised its profile in this current consultation. Vattenfall very much supports OFTOs being judged on their supply chain and skills policies and capabilities. In fact it would be very remiss if they were not. More does need to be done in this area and Vattenfall will work with the ENSG and others in addressing this issue.
- The EU Third Package and unbundling. At this point in time it is important for Vattenfall to understand the UK's negotiating position at the European table, its policy intent for UK Regulations and its policy intent for the OFTO tender process. It is also important for us to have the opportunity to communicate the implications of these policy decisions for our business and operations in the UK, before they are crystallised and potentially, lead to some unintended outcomes. We welcome the clarifications given in the current consultation and hope that as policies develop further there can be ongoing dialogue with industry.

I hope you find these comments helpful and if you would like to discuss any aspect of this response any further please don't hesitate to contact me.

Yours faithfully



David Hodkinson
Vattenfall Wind Power Ltd