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GENERIC OFTO SPECIAL LICENCE CONDITIONS (VERSION 0.3), GUIDANCE NOTE AND LICENCE MODEL

Ofgem E-Serve has today published a revised version of the draft generic Offshore Transmission Owner (OFTO) special licence conditions. This version of the draft conditions is made available to help inform qualifying applicants in their QTT submission for the current Offshore Transmission Competitive tender, as well as other parties interested in the Offshore Transmission Regime. Alongside the draft generic special conditions we have also published:

- a set of guidance notes intended to help qualifying applicants and other interested parties understand this version of the draft generic special licence conditions; and
- a Microsoft Excel model to illustrate how the revenue formula of the draft special licence conditions will work (including a version of the performance incentive), which is intended to aid qualifying applicants and other interested parties' understanding of the licence mechanisms.

Please note that Version 0.3 of the draft generic licence conditions and the special licence conditions guidance note have already been released to qualifying applicants and developers.

Background

In July 2009 Ofgem published version 0.2 of the draft OFTO special licence conditions. These were an updated version of the conditions which were originally published for consultation in March 2009¹.

Following the July publication, some minor comments were received from industry relating to aspects of the drafting which they believed could be improved. We have considered these comments and made some limited updates to the drafting where we considered that suggestions improved the function of the conditions. In addition, we also received several requests for supporting material to help develop parties' understanding of the conditions.

QTT Update – draft Generic OFTO Special Licence Conditions (v 0.3)

The QTT phase of the tender process is now open. Given that we have identified some minor updates to the conditions we considered it important to release a further version of

¹ Conditions published as part of the joint Ofgem/DECC final consultation on the Offshore Transmission regime.

the draft generic conditions, so as to help inform qualifying applicants in their bids at the QTT stage of the tender process. As such, we have published version 0.3 of the draft generic special licence conditions. All changes that have been made to version 0.2 of the condition have been marked up in tracked changes to form this new version of the conditions.

Qualifying applicants should note that there a number of items contained within the special licence conditions that will be set on a project specific basis. These items have been highlighted in the generic licence text.

We will be liaising with project developers over the coming weeks to inform our view as to the appropriate values for these items. We will then complete a set of draft project specific special licence conditions for each of the 9 projects being tendered under transitional tender round 1. These conditions will be released to the bidding market at the ITT stage of the tender process.

Our review of the draft special licence conditions is ongoing. This process may identify further amendments to the draft conditions that we will capture within the draft project specific special conditions at the ITT stage of the process.

Guidance Note

In parallel to the further version of the draft generic special licence conditions, we have also published a guidance note which explains those special licence conditions that relate to the revenue stream that the OFTO will receive. However, qualifying applicants should note that OFTOs will be required to comply with the entirety of the offshore transmission licence, including those obligations relating to ongoing monitoring of the financial standing of the licensee.

The guidance note should not be treated as a substitute for reading the detailed legal drafting of the generic special licence conditions (at the QTT stage), nor the subsequent project specific special licence conditions that Ofgem E-Serve will release as part of the ITT phase of the tender process.

Licence Model

In addition to the further version of the draft generic special licence conditions and guidance note, we have also published a spreadsheet model to demonstrate the mechanics of the licence formula set out in the draft legal text. When using this model parties should note that it only related to the current iteration of the draft generic special licence conditions. The model is **illustrative** and is only intended to increases parties' understanding of the functionality of the draft special licence conditions. Ofgem takes no responsibility for any error in the model and qualifying applicants should not treat the model as a substitute for their own review of the draft special licence conditions or modelling of the revenue formula.

Next Steps

We are working to develop the draft project specific special licence conditions which will be released at the ITT stage of the tender process. This will require further engagement with each of the developers regarding the capabilities of their transmission systems including collating evidence of planned maintenance requirements and, where available, operational data. These draft project specific special conditions will be available to short-listed parties at the ITT stage of the process.

To aid transparency, we envisage that a further revised version of the draft generic special conditions will be made available on the Ofgem website at the start at the ITT stage.

Parties participating in the current Offshore Transmission Tender round, who have queries relating to the OFTO special licence conditions, should submit their comments through the tender portal at <https://ofgem.bravosolution.co.uk>. Other parties who wish to raise comments on the contents of this letter and its attachments, should contact Sam Cope at sam.cope@ofgem.gov.uk.

Yours faithfully,

Colin Green
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