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Your ref

Our Ref

Date

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Contact / Extension

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Dear Sam,

Offshore Electricity Transmission: An Open Letter on the Enduring Regime

We welcome the opportunity to comment in advance of your formal consultation on the offshore transmission regulatory regime next month. We continue to believe that way in which the regime manages enduring projects is key to whether the regime offers an attractive opportunity for potential OFTOs whilst delivering value for customers.

We have made some specific comments below however we look forward to the clarity that the December consultation will provide.

Timing of the OFTO appointment

We see merit in the early appointment of the OFTO however recognise the risk that that brings to a bidding OFTO. As we have detailed in previous responses, the appointment of an OFTO who can design and construct the infrastructure and connection for an entire Round 3 development zones is essential if the regime is to prove successful. This infrastructure could be developed in an economic and efficient manner and the mechanism should allow for adjustments to the revenue stream reflect the extent of investment efficiently completed.

We also recognise that, depending on the detail of the regime, later appointment has the benefit of providing more visibility of the 'final' requirements for the development, and removes other design related risks.

Treatment of future capacity increase

Again this relates to the ability of the OFTO, particularly in terms of the Round 3 developments, to provide a strategic infrastructure. 'Over sizing' of assets should not be at the OFTO's risk but should be part of a coordinated approach to providing strategic infrastructure and connections.

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Risk management, Refinancing and incentives

For the offshore transmission regulatory regime to be successful it must balance risk and rewards equitably amongst developers, OFTOs and customers. OFTOs should be rewarded for innovative approaches, including creative financing, and should not be subject to claw back.

The role of the NETSO

We re-iterate the importance of the strategic development of Round 3 zones and recognise that the NETSO can play an important part in this. The NETSO's role is fundamental in ensuring the economic and efficient provision of offshore and onshore infrastructure necessary to connect offshore wind. It is essential that the OFTO is not exposed to huge risks associated with bidding for high cost infrastructure that may be staged over many years. We continue to question whether a developer led approach will achieve this.

Yours sincerely,



Alan Michie
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