

Offshore Electricity Transmission – An Open Letter on the Enduring Regime

Scottish and Southern Energy (SSE) welcomes the opportunity to respond to the issues raised in the above document on the structure and detail of the enduring Offshore Electricity Transmission Regime. We believe that, in order to reach the government's 2020 renewables targets and avoid unnecessary delays and hurdles, it is vital that the enduring OFTO regime is as flexible and streamlined as possible. We propose that the forthcoming consultation should focus on how the enduring regime can deliver an economic and efficient offshore transmission system whilst providing certainty for investment in Round 2 and 3.

Timing of OFTO appointment

SSE believes that the decision concerning whether the OFTO should be appointed early or late in the process should be left to the discretion of the developer, as both options have some merit. It is important, though, that the appointment be made at a specific point in the process (for example project commencement, end of pre-construction or post-construction) to avoid any delays and costs associated with a complex transfer. However, whether an early or late appointment is preferred, it is critical that the design specified by either the OFTO or developer is SQSS compliant and takes into account the regulatory requirements for the separation of generation and transmission activities.

We consider it important that the enduring regime allows flexibility and a clear mechanism for the developer to complete design and construction of the offshore transmission assets and transfer them to the OFTO post-construction, in keeping with a late appointment option. However, in this case, an appropriate body, such as the NETSO, Ofgem or STC Committee should be permitted to comment on the developer's preferred design option to ensure clean transfer.

Likewise, should an early appointment be preferable, the developer should be permitted to comment on the OFTO's preferred design option. This ensures that the decisions of both the OFTO and developer are subject to independent scrutiny, whilst allowing maximum flexibility in the development process.

We also consider that it would be beneficial to review whether user commitment and tender costs are appropriately timed and allocated to prevent any duplication or inefficiency of the underwriting of costs.

Treatment of pre-construction costs and information

Given that the developer should be permitted to choose either early or late OFTO appointment, it is vital that efficiently incurred pre-construction costs can be recovered. We propose that, as a minimum, recovery should include costs associated with survey, design, consenting and wayleave activities.

We also consider it important that sub-contractors involved in the pre-construction phase do not have an unfair advantage should they wish to compete in the OFTO tender process. The mechanism for ensuring this should be explored as part of the forthcoming consultation.

Treatment of future capacity increase

SSE agrees that it is important to consider optimum network design, based on both current and future requirements, at an early stage to facilitate the most economic and efficient solution. We believe that this should encompass the potential oversizing of connection assets as well as future interconnection possibilities. The regulatory regime should encourage the most suitable network design whilst ensuring costs remain efficient. We propose that the consultation should explore the most appropriate placement of strategic investment responsibility and the sharing of risk associated with designing for future capacity increase.

The role of the NETSO

SSE fully agrees that the NETSO should be responsive to the requirements of both developers and OFTOs. We also welcome the proposal that offshore connections could be offered by NGET in a number of ways which could include phased connection for a group of separate projects. Achieving this will require a clear approach to the treatment of future capacity increase.

In most connection proposals, the question of whether the TO extends the existing transmission network to the coastline or, instead, requires the OFTO to construct onshore assets for connection to the existing transmission network will need to be addressed. We believe it is important that both cost and lead time are balanced when arriving at this decision as there is the potential for significant delay, should network development progress in an uncoordinated manner. We propose that this theme is further explored in the consultation.

Qualifying Project Pre-Conditions and Tender Entry Criteria

Whilst SSE agrees that pre-condition criteria should be kept under review to ensure that they are fit for purpose and cost reflective, it is essential to both the transitional and enduring regime that clarity is provided on the implications of the Third Package at an early stage. Although the Directive has not yet been transposed into UK law, the requirements are now clearly defined and we would expect that Ofgem would provide a view on how the requirements are to be applied to the OFTO regime. The current uncertainty risks undermining the transitional tender process and, if not resolved, has the potential to adversely affect the enduring process.

Stages and timing of the tender process

SSE questions whether the enduring OFTO tender process needs to be lengthened as it is important that the tender process does not introduce unnecessary and unforeseen delay into completion of the project. The consultation should give consideration to maintaining or shortening the current process.

Assessment of the tender process

SSE welcomes the inclusion of an Ofgem design proposal assessment in the tender process and agrees that there is likely to be occasions where the involvement of the developer in the OFTO selection would be preferable, particularly in the case of early appointment. We believe that this approach has the potential to provide a more economic, efficient and compatible network in the long run. However, we would stress the need for a fully transparent tender process, should the developer take a greater role in the selection of the OFTO.

Supply chain

We believe that it is critical to the timescale of the project that the developer is able to enter into contracts and make procurement decisions ahead of the OFTO appointment. As long as these contracts are made available to all bidding OFTOs, there should be no impact on competition.