

Diana Kennedy  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Wednesday, 10 March 2010,

Dear Diana,

**Re: Offshore Electricity Transmission – Consultation on Draft Tender regulations 2010**

Thank you for the opportunity to comment on the draft tender regulations, this non confidential response is on behalf of the Centrica Group of companies excluding Centrica Storage.

For convenience, I have restated our views on the question of a two stage QTT process below.

In terms of the proposal to make the QTT stage optional this would seem to be a pragmatic approach, ensuring time is used efficiently. We believe that it is important to ensure that there is as much flexibility as possible within the regime in order to reflect the requirements of different projects, on this basis we support the principle of the proposed change.

However, we would appreciate clarification on one or two points:

- It appears from the drafting that the intention is for the option of a QTT to apply at a project level, this would indicate that in theory some projects in a tender round might have a QTT and others not. Is this the intention?
- If, following the point above, a QTT only applies to some and not all projects in a tender round, does this mean that OFTOs for projects in a tender round will be appointed at different times? If this is the case we would be concerned to ensure that all projects continued to receive equitable treatment.
- The option to hold a QTT is drafted in the Authority's discretion. Would it be Ofgem's intention to discuss this option with the project(s) concerned and seek their consent? If not, and the projects developer for some reason disagreed strongly with the proposed approach, what alternatives would be open to then?

Moving towards the rest of the tender regulations, we note that many of the proposed changes amount to little more than clarification of the position post the first tender round. We do not

oppose these changes, but would urge Ofgem to ensure that developers' rights are not further constrained as a result as this can only discourage investment in windfarm and risks damaging investor confidence.

Given stage of the process, we have confined our comments to matters of significant concern only, and would welcome further clarity on how these concerns will be addressed.

- Definition of pre-construction works – Centrica has repeatedly raised concerns that the enduring regime lacks flexibility in the early stages in terms of options available to early enduring projects. We believe that it would be better to allow a wider definition of pre-construction works which would permit explicitly the inclusion of other activities such as the placing of key contracts for equipment where the supply chain is long. The interests of bidders could be adequately safeguarded by making provision for the type of process to be followed and Ofgem approval.
- Para 5(1) and Para 6(5) in respect of both these costs, we believe that the developer should be able to recover the relevant costs, but cannot see how this might be effected. Please provide clarification.
- Para 22(3) – whilst we appreciate why the developer might forfeit security for items 1-r of schedule 7, it is not clear why this should be the case for 7(1) a, particularly as the Authority could only have incurred very limited expense at this point.
- Para 25(5) – please clarify the reasoning behind the 10 working days allowed to elapse
- Schedule 1 (2) b – whilst the approach seems sensible it is important to recognise that in early projects, the consents etc may have been obtained prior to the development of this requirement and hence a pragmatic approach may be needed.
- Schedule 2 (1) m and (2) l – we are not persuaded that it is reasonable to include such catch all provisions with no indication as to what might be included. We believe that this poses a potentially unquantifiable risk to developers.
- Schedule 2 (1) i – Whilst we understand the purpose of the text, we are not able to support the change without sight of the proposed “standard pre construction works transfer agreement” to allow us to assess the developer risk proposed.
- Schedule 2 (1) l – we would suggest improving the drafting as follows “...provided confirmation to the Authority that the qualifying projects is **within** at least [X] years from the date...”. This is a particular issue for early enduring projects, where the choice of OFTO appointment date is constrained by the development of the process.
- Schedule 8 (2) c & d – prior to these items being made disqualification events it will be important to recognise that any breach needs to be communicated and opportunity provided to remedy prior to the disqualification route.

We hope these comments have been helpful and would be happy to discuss any points in more detail if that would be useful.

Yours sincerely,

*By e-mail*

Alison Russell  
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