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By email
Sam Cope
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Our Ref: OS01-004099
Your Ref: 157/09

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Dear Sam

Offshore Electricity Transmission: Consultation on the Enduring Regime

Thank you for this opportunity to respond on the matter of the appointment of Offshore Transmission Owners (OfTOs) for the enduring tendering regime.

RES is one of the world's leading independent renewable energy project developers with operations across Europe, North America and Asia-Pacific. RES has been at the forefront of wind energy development since the 1970s and has developed and/or built more than 4.5GW of wind energy capacity worldwide, including projects in the UK, Ireland, France, Scandinavia, and the United States, with a large additional portfolio in development. Drawing on decades of experience in the renewable energy and construction industries, RES has the expertise to develop, construct and operate projects of outstanding quality. RES's Offshore team has successfully applied its development, engineering and technical skills and experience to a number of successful offshore projects in the UK. The Group is also active in a range of other renewable energy technologies, including large-scale solar and biomass and on-site heat, power and cooling technologies, as well as offering design consultancy for sustainable built environments. For more information, visit www.res-group.com.

RES supports the enduring regime and the implementation of OfTOs to deliver and operate offshore transmission assets. However for the regime to support developers in the delivery of their projects, flexibility must be retained by the developer to appoint the OfTO at a point when they consider efficient to do so.

That is to say that developers must be able to choose whether an OfTO is appointed to take on the responsibility for designing, building and operating the transmission asset or alternately take on the responsibility of designing and building the asset themselves and transfer ownership to the successful OfTO upon commissioning of the asset; the 'transition' project style appointment. On this matter RES supports the response to this consultation made by the BWEA.

Given the project timescales of many of the Round 2 projects and the timing requirements to be placed on developers for the Rounds 1 and 2 extension projects it is likely that the developments will not be possible in the required timescales unless it is possible for the OfTO to be appointed after the construction of the connection assets. For later projects, allowing developers the choice of relinquishing responsibility of the transmission link early to an OfTO (be that before or after gaining consent) or choosing to retain responsibility for the asset's construction would allow for the best of either option to be applied to the circumstances specific to that project and for that developer.

The elements of competition and innovation which are fundamental to this new regime are still incorporated but there would be the flexibility in the system which should ensure that ever changing internal factors for the developer and external factors concerning the supply chain and other developments can be best accommodated to provide a consistent and secure delivery of future wind farm projects.

With respect to the questions posed within the consultation document against Ofgem has sought the industry's comments, RES would like to align its general position to that stated by the BWEA in their response to this consultation. There are however a number of points that we would like to raise in addition to the comments provided in that response. These comments are passed notwithstanding the position on the flexible tendering approach outlined above.

- *With respect to paragraph 7.14 regarding the stages and duration of the tender process, stating:*

‘Once the preferred bidder is appointed, we propose that the timescales to licence award would vary on a case by case basis, dependant on project specific issues’

We are concerned that to leave such a key stage in the process, that of securing the actual licence, open ended would introduce a risk to the overall project timescale should negotiations, for whatever reason stall. We suggest that the period between the selection of the preferred bidder and the award of the licence be bound to a maximum period and a process be formulated for resolving disputes should agreement not be achieved.

- *With respect to the section 8 question ‘In which areas should we allow variant bids?’*

Considering bullet 3 of paragraph 8.6, RES proposes that the onshore connection point, as determined by the NETSO, be fixed. This would reduce the risk to the developer and onshore TO still allowing the OfTO to be innovative in their design. Such a move would allow the developer to proceed with confidence with activities such as cable corridor and landfall surveying and landowner identification and also provide confidence to the NETSO and onshore TO of where investment needs to be made to the existing network.

- *With respect to the section 8 question ‘Do you have a view on the factors we should consider in evaluating bids?’*

We support for the proposal that clear evidence should be provided to justify the submission of any variant bids to the Stage 1 agreements.. As was mentioned in the consultation paper the plans which go into the Stage 1 have been derived by the NETSO and are considered to be, at least for the onshore network component the most efficient option. Any deviation from this existing position should be substantiated in the terms given in paragraph 8.8 of offering operational advantages, different risk profile or pricing benefits.

The current criteria that are proposed in paragraph 8.13 do not adequately cover the development and environmental impact of the proposed designs. From our own experience we are aware that issues such as easement negotiations, working with stakeholders to resolve any potential for environmental impacts can be lengthy. Equally unfavourable results to geotechnical investigations can present a large risk to the overall project programme. Bids should be reviewed for their consideration of these risks which should be minimised, where possible, by design.

- *With respect to paragraph 8.18 regarding the appointment of an OfTO of Last Resort.*

RES acknowledges that Ofgem do not consider that this is a matter to be revisited. However, we are still concerned that a project may be significantly delayed through the failure to appoint an OfTO. We urge Ofgem to reconsider this option and seek to explore potential options with developers at a later date.

If you have any questions or comments on the above statements please contact me on the contact details provided below.

Yours sincerely

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