

## **Enduring Consultation Stakeholder Workshop, London, 21 September 2010.**

### **Summary of Question and Answer Sessions**

#### **Can you elaborate on where the estimated £350million cost savings in the offshore transmission regime comes from?**

A comparison is made between revenue to RAV of onshore versus offshore. Unlike onshore, in offshore, it is up to the parties who bid to work out the revenues and operate the assets on that basis. The opportunity for parties (including new entrants) to come in with innovative approaches is a key feature of the regime.

It is worthy of note that there is also a minimum standards safety net for transmission systems, so any savings which have been made have not come from cutting corners. Parties still have to adhere to the SQSS principles so there is a certain standard of security and quality of supply to be met.

#### **How does the cost of developing offshore transmission networks compare with onshore?**

It is very early days in the offshore programme and the savings made have to be considered in the round.

#### **How will OFTO of last resort work for generator build?**

The OFTO of last resort provision was introduced to the transitional regime to provide certainty when we were unsure of investor appetite or generator enthusiasm for the regime. For the generator build model, the generator needs to ensure that the transmission link will be built - a generator building it themselves also carries its own risk.

While the consultation set out the view that we are "minded to" have an OFTO of last resort provision for generator build, it is seeking views from interested parties on how this might work. In fact, the consultation does ask a specific question on this issue.

In terms of how it would work, the licence conditions already in place set out certain elements of the process and in addition Ofgem has published detailed guidance on the OFTO of last resort arrangements. Ofgem would look to utilise those existing requirements under any extension of the arrangements.

#### **What is the likelihood of the generator enjoying greater involvement in the tender process, given that the generator has an interest in more than just technical terms and could be involved in e.g. negotiations on the availability incentive?**

Generator engagement on the availability incentives is not part of the consultation. There is likely to be a consultation on availability incentives next year.

The OFTO selection process is run by Ofgem but we are seeking views on the level of generator engagement. If any more innovative approaches are discovered, there needs to be a way of ensuring these are revealed to the generator.

There is also a contractual arrangement between the NETSO and the generator. The CUSC contract includes the concept of allowed interruptions which has a direct link to

availability incentives. The generator can specify in discussions with NGET what their requirements are and these would be reflected in the bilateral agreement.

**What engagement has there been with the Crown Estate?**

There has been considerable engagement. There has been working level engagement in the writing of the consultation and since then. There has also been active engagement on technical aspects and planning.

**What will happen with leases for transmission assets at the end of the 20 year revenue stream – have there been discussions with Crown Estate on this?**

Leases have been granted for 50 years. While there are termination provisions included therein, there are no concerns that the OFTO lease will terminate before the generator lease.

**Will it be possible for supply chain players to enter long term agreements with developers to help to bring their costs down?**

The market should develop the most efficient model, which will allow competition to take place.

**Has Ofgem developed thinking on remuneration of the coordinated regime?**

Networks are regulated and price controls exist for the onshore network. The NETSO has an obligation to develop networks. For offshore, flexibility exists in order to allow for additional investment.

There is a need to consider how to fit e.g. connection points into the tender process.

The charging review will be very important. How users are charged for shared assets offshore could have an impact.

**Whilst the integrated approach may be welcomed by some developers it is not in line with connection agreements that current offshore developers have entered into. What actions is DECC taking to ensure certainty?**

The consultation is seeking stakeholder views on the current regime, looking at that and how we get from that to creating an efficient, coordinated regime. It is not a consultation on the existing methods of obtaining a coordinated approach.

There are examples where a coordinated approach has been facilitated under the current standard framework. For example, offers for connection in Scotland were made on a cluster basis as there was sufficient volume of applications within similar timescales as a consequence of BETTA.

**Is there any update on the charging review?**

Nothing has changed yet regarding charging.

**The current coordinated development regime is OK for small zones but not large. There is a disconnect in how a developer can launch an OFTO tender covering more than one project, especially if there are shared assets. The**

**tender regulations are silent as to how more than one tender could be launched for projects next to each other?**

We have introduced the tender windows option. However, this is a good point and may need to be looked at more in the tender regulations.

**Coordination is not just about sharing offshore assets and coordination onshore but about coordination of all the cables coming onshore. Standardisation is also a big issue. We need to have standards in place to encourage standardisation. Other countries are developing offshore in different ways.**

We encourage industry to use the existing governance of electrical standards mechanism defined in the Grid Code to bring forward requests for development of offshore standards.

**The National Grid integrated solution looks like it is taking control from the developer community for the delivery of connection?**

There is a need to consider whether the information in the public domain is in context. We consider that inclusion of information in the ODIS could help address concerns about misinterpretation of subsets of information.