

Preferred bidders and other interested parties

Promoting choice and value for all gas and electricity customers

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Dear Colleague

Consultation on the regulatory instructions and guidance (RIGs) described by amended standard condition E12 – D1 of the offshore transmission licence

Amended standard condition E12 – D1 (Offshore regulatory reporting) requires licensees to provide the following annually to the Gas and Electricity Markets Authority (the "Authority"):

1. An audited revenue return.
2. A forecast revenue return.
3. A cost reporting pack.
4. Transmission system availability incentive information.
5. Incremental capacity adjustment information.

The RIGs specify the information to be provided in order to comply with this condition. The RIGs also detail the administrative arrangements for completing and submitting this information. The draft RIGs and associated reporting templates are published alongside this letter for preferred bidders and other interested parties to review.

In order for the Authority to comply with its statutory duties regarding better regulation it is necessary to consult on the RIGs prior to their implementation. Therefore all interested parties are invited to respond with their comments on the proposed RIGs.

This consultation will be open until 7th January 2011. This represents a period of six weeks and three days which covers a holiday period and three bank holidays. This period is considered to be consistent with Ofgem's commitment to aim for six week consultation periods. The three extra days allow for the three bank holidays. Additionally there has already been considerable engagement with the key stakeholders on this issue. In particular there have been several consultations on the licence¹ which have referred to the RIGs and we engaged with preferred bidders to seek their views and suggestions for developing the RIGs.

We plan to issue the RIGs on 28th January 2011. Each offshore transmission owner (OFTO) will be obliged to report as required by the RIGs from the date of licence grant.

The licence identifies the purpose of the RIGs as allowing the Authority to 'monitor effectively the revenue of the consolidated transmission business'. In particular the

¹ See licence consultations with references 98/10, 115/10 and the letter of 4/10/10 available at <http://www.ofgem.gov.uk/Networks/offtrans/pdc/cdr/Cons2010/Pages/Cons2010.aspx>

monitoring involved includes:

- ensuring that the revenues charged are in line with the TRS bid (as adjusted for incentives)
- monitoring OFTO availability performance to calculate the incentive based revenue to which the OFTO is entitled
- monitoring OFTO costs to inform future cost assessments and tender evaluations
- monitoring OFTO financial health
- providing a base line set of data to be available in the event of OFTO financial distress.

Part E of amended standard condition E12 – D1 provides for modifications to be made to the RIGs. Over time it may be necessary to amend the RIGs to adapt to the developing regulatory environment for offshore transmission. Until such time as there is a modification the initial set of RIGs will endure.

Any consultation responses should be made in writing by 7th January 2011. They should be sent to Daniel Rock at Ofgem E-Serve, 9 Millbank, London, SW1P 3GE or by email to daniel.rock@ofgem.gov.uk.

Yours sincerely

Stephanie McGregor
Director, Offshore Transmission

For and on behalf of the Authority