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By email only

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Offshore Electricity Transmission: Implementing further refinements to the enduring regime

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DONG Energy welcomes the opportunity to respond to the above named consultation. We are actively engaged in developing and constructing new generation capacity in the UK, where we currently own and operate over 300 MW of installed offshore wind capacity, with further under construction or in the pipeline. Of these sites, 4 have participated in the First Transitional Round of the Offshore Transmission Tender, with a 2 sites in the Second Transitional Round.

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We welcome the proposal to extend the OFTO of Last Resort arrangements under the generator build option. This will give confidence to a developer that their offshore transmission and wind farm assets will not become stranded due to a failure to appoint an OFTO. DONG Energy believe that this should be extended to all OFTO arrangements.

It is extremely disappointing that Ofgem and DECC have refused to recognise the relative infancy of the industry and declined to extend the ex ante guarantees for the generator build option. We strongly disagree that this creates a level playing field between generators and OFTOs. We urge Ofgem to publish clear and unambiguous criteria of the activities that they consider economic and efficient as this would give clarity to all companies involved in offshore transmission construction. When considering economically and efficiently incurred costs, Ofgem should bear in mind that its proposal to force generators to ring fence costs during procurement of assets it may increase costs. In such a case, this should not be held against the generator in considering cost recovery. Besides, it must be considered that any costs passed to the OFTO will ultimately impact (increase) the TNUoS charges which a generator incurs for the use of the transmission system. It is therefore against the interest of the generator to perform offshore transmission works which are not absolutely necessary.

Although the time allowed to respond to the consultation has meant we have been unable to undertake a detailed review of the drafting changes proposed, we would like to make the following points in response to the document:

Codes amendments

- 1 It is not clear who defines the Offshore Transmission System Development User Works (OTSDUW) in the Construction Agreement. This should be more clearly defined. Furthermore, we believe that the CUSC should facilitate more dialogue between all interested parties during the preparation of the offer: this would improve the quality of the offer, allowing it to better reflect the generator's plans and could facilitate and accelerate the process of its acceptance (see section 2.13.8-9).
- 2 Exhibit B Section A is not updated as mentioned in Paragraph 24 of this exhibit.
- 3 Page 228, "Offshore Works Assumptions" are said to be "amended from time to time...": We would like to understand more detail on how this process may work: if this is considered to be a material change, it will require a Mod App, as defined in 6.9.6.1. However, we believe that Material Changes should be only those that have a material impact on the onshore works carried out by NGET and not those changes that do not affect NGET programme. Therefore we would like to have a clarification of this in clause 6.9.6.1 in addition to the current definition. Clause 2.18 also refers to this and again, "material" is not well defined.
- 4 Regarding question 3.4, we believe there is a confusion in the question, as it is our understanding that NGET and not the generator will propose the onshore connection point in the offer issued to the Generator. What a Generator has to produce in 28 days after acceptance of the offer (Clause 17 of the Construction Agreement) are a detailed design of the OTSDUW and its programme, both based on the offer from NGET. Assuming our understanding is correct, we consider that 28 days is insufficient time. It is unlikely that the generator will, at this time, have a detailed engineering design for these assets. Any design would be based on many assumptions, as it will be a very early stage of the project development. Furthermore, due to the fact that assumptions will change as information and understanding of the nature of the generator becomes available, we believe there must be opportunities for the generator to change this design without such a change being considered a material change. At this stage, such changes should not impact NGET works on the onshore grid. We also suggest that this time limit could cause discrimination: under the current regime, once an offer is accepted, NGET's assumed offshore works will remain the only offshore design until an OFTO is appointed. This will be for at least 18 months, if not longer so it is unclear why the generator is being required to provide a solution in 28 days.
- 5 Regarding question 3.6 and 3.8, we do not understand why a different requirement should be put in place for assets built by a Generator or by an OFTO. Once the transmission assets have been commissioned and transferred to the appointed OFTO, it is not relevant who has built the assets and therefore same requirements should be applied to the two

cases. We are not supportive of this proposal and suggest that same requirements as in the STC should be put in place in the Grid Code.

- 6 Paragraph 28, page 181: This paragraph highlights a critical issue with the implementation of the generator-build approach, as drafted. The current drafting will potentially prevent a wind farm and the transmission assets from commissioning. Some commissioning power is needed for both the wind farm and the transmission assets and this clause would prevent that power from flowing. This raises two risks: it is unlikely that an OFTO would agree to takeover assets that have not been commissioned and, in the event that an OFTO does take over an asset, any delay to the process will also delay commissioning of the wind farm. This paragraph should either be removed or clarified to allow commissioning power.

Please do not hesitate to contact me if you would like any clarification relating to the points raised above.

Yours sincerely
DONG Energy



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