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RENEWABLE
POWER

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29 November 2010

Implementing Further Refinements to the Enduring Regime

Mainstream Renewable Power Response

Mainstream Renewable Power is a leading renewable energy company developing renewable energy projects across several continents. The Company expects to be a major provider of renewable capacity for the UK and has a development pipeline in excess of 5,000MW.

We are developing onshore wind projects in North America, South America, and South Africa. In the German North Sea, we are developing the 1000 MW Horizont project.

In the UK, we are developing two large offshore wind projects. In Scottish territorial waters we are developing the 450 MW Neart Na Gaoithe project. Additionally, through the SMart Wind consortium, we are developing the 4000MW Hornsea Round 3 zone with our partners, Siemens Project Ventures.

We welcome the ongoing refinement of the Enduring Regime and commend DECC and Ofgem for the work that is being carried out to support the reforms. We understand that the timetable for the proposed refinements is challenging, but it is important that the Enduring Regime provides a coherent basis for development over the medium/long term, in order to promote confidence.

Mainstream Renewable Power is committed to assist Ofgem and DECC to deliver a successful offshore regime and we welcome the opportunity for continuing engagement wherever possible.

Summary

We do not intend to offer detailed comments on the proposed individual Code drafting associated with the Consultation. Our response focuses on material issues. The final Code drafting should reflect the need to address these issues and facilitate the offshore regime.

We strongly support the decision to include a generator build option in the regime. It is essential to allow timely delivery of offshore renewable projects.

However, there remain issues with regard to:

- the process of transfer of transmission assets to the OFTO
- the ability to promote and secure a coordinated, fit for purpose offshore network

Management of the OFTO Transfer Process

Whilst progress has been made, the proposed arrangements for OFTO transfer under the Generator build option require further changes to be made, in order to deliver a workable and practical regime.

Commissioning Power

An offshore wind project is commissioned in stages, over a period of time. As each stage/string is commissioned, power will be generated and will need to be transmitted to shore. This process can take several months, depending on the size of the project. The regime as currently proposed does not envisage an OFTO being in place until the end of the commissioning process. As such, changes need to be made to allow the developer to carry out the necessary commissioning processes [including the export of power] without being in breach of the requirements regarding transmission activities. As with a conventional power station, there are stages between first generation of power and "fully commissioned". The industry requires clarification of what Ofgem/DECC mean by fully commissioned, when applied to an offshore wind installation and also the *intention* behind that definition, such that a workable commissioning process can be derived..

OFTO of Last Resort Process [OLR]

We welcome the inclusion of the OFTO of Last Resort. However, the operation of the process needs further clarification. When the OLR is triggered, this will necessarily be at an advanced stage in the project. The offshore wind project may be at a stage where it is ready to export power. As such arrangements need to exist to ensure that the OLR process does not delay or disrupt the transmission of power.

OFTO Certification Process

Following a successful generator-build/OFTO tender process, there will be a requirement to certify that the arrangements are compliant with the EU requirements of the Third Energy Package, particularly those in respect of separation/unbundling. It is not yet clear which model the OFTO regime complies with under the European Third Energy Package. We do not, at present, have sufficient clarity on what this process will look like, how it will be operated effectively and the timetable for completion. We repeat our concerns that any required process should not introduce additional delay in the ability of an offshore wind farm to export power. Confirmation of how OFTO's will be treated and certified, so that this does not unduly lengthen the tender process, would be welcome.

Phasing

Round 3 and subsequent projects will increasingly require the ability to be developed in phases. This will involve not only several tranches of wind turbines, but also multiple offshore platforms

and export cables. The timescale for the development of a complete project could be of the order of several years. We require clarity and further detail on how the process of generator build/OFTO transfer will efficiently and pragmatically handle the reality of delivering large multi-phase offshore wind projects over a period of time.

The promotion of a secure, coordinated, offshore network

We believe that the present regime can support both point to point and integrated network solutions, and that different generation projects will require different approaches (i.e. an integrated design will not be the most efficient solution for all sites). National Grid has undertaken work to assess the potential benefits of an integrated approach and this represents a valuable contribution to the process. The initial results that have been provided by this work require further detailed development in order to allow an effective evaluation of the extent of these benefits.

There is also the need to test the practicality of some of the potential solutions by applying rigorous engineering and consenting tests, before further consideration.

There may be benefits in establishing a central design authority function for National Grid, to coordinate a strategic network design. We see no incompatibilities between this function and the competitive provision of offshore transmission. However, such an approach would need to incorporate safeguards to ensure that any benefits of coordination were not outweighed by unacceptable delays to generation project timetables, particularly those at an advanced stage of their overall development.

We would also look to an integrated approach to deliver a lower financial commitment from generators, given that the network would be developed under a coordinated regime.

We would request DECC and Ofgem to expeditiously consider the issues above and to provide guidance on a workable solution. Having listened to the industry and acted to include a generator build option in the Enduring Regime; there remain tangible risks to its successful implementation. Areas to be explored include some form of exemption for a temporary period, until an OFTO is "fully" in place and a transposition of EU Third Energy Package requirements in a manner which is supportive of the UK offshore regime.

Responses to Consultation Points

Chapter 1

1.4 -CUSC and Grid Code proposed drafting

We have concerns with regard to the proposed drafting changes for both the CUSC and Grid Code. We consider that, contrary to the stated intention to facilitate the introduction of the generator build option, some of the proposed changes serve to introduce barriers to progress. Code changes are required in order to implement the generator build option. However, we are concerned that the speed of implementation does not allow a full consideration of all the elements that code changes

will have to deal with, in order to avoid unnecessary and onerous requirements being placed on stakeholders. There is a need to ensure that any changes made can be effectively reviewed by the normal governance processes in a timely manner, to avoid "locking in" unintended consequences.

1.5 - STC

We note that changes to the System Operator - Transmission Owner Code (STC) will be required, consequent on changes to the CUSC and the Grid Code as a result of the inclusion of the generator build option. The stated intention in the Consultation is to publish proposed STC changes later in the year. The STC is an essential element in the overall package. We would ask for confirmation that the necessary revisions are being made and will be available for inspection prior to the above deadline.

1.22 – Next steps

We look forward to the maximum possible detail being concluded prior to the 18th of December.

Chapter 2

2.5 – Flexibility and 2.9 - Code changes for the generator build option - 2.10 Lack of default arrangement and non-compliant assets

"To ensure that generators take effective decisions, we consider that a consistent set of principles and processes should, as far as possible, apply to all build options."

"without changes to the industry codes, there is not a default mechanism to require offshore generators to design and build offshore transmission assets that meet the minimum standard of offshore transmission system performance and design."

We consider that generators are highly incentivised to ensure that their projects are able to connect to the transmission network, under any build option. It is a key project deliverable. The risk of non-connection or non-adoption ensures that compliance is at the heart of any project. We have serious concerns over any proposals to introduce more onerous/additional requirements or standards for those generators wishing to pursue the generator build option. Where onshore generators wish to connect to the NETS, the process involves a direct interaction between National Grid and the generator, to ensure compliance. This process has already been extended offshore, where a generator controls the build of the transmission assets, under the existing transitional offshore regime. Achieving the necessary compliance under the generator build option should build upon this experience. The primary drivers for a generator developing its own transmission assets are technical compliance and the ability to ensure a successful adoption process. Each project will have a unique situation and the routes to achieving these overall objectives are unlikely to be successfully captured by an overly prescriptive approach. Standards need to have an appropriate level of flexibility to be able to cope with real world situations.

2.21 -2.23 - Property Transfer

We support the inclusion of a property transfer scheme. However, certain safeguards need to be put in place in order to ensure an effective and fair scheme, which promotes confidence. Transmission

supply chain contractors need to be given assurance with regard to their part in the process. Potential assignees may be less creditworthy than the original customer, or even a direct competitor. A transfer scheme should therefore include the reasonable requirements of suppliers with regard to change of counterparty, in accord with standard business practice in other areas.

2.24 – 2.42 OFTO of Last Resort

We welcome both the inclusion of an OFTO of Last Resort mechanism generator build and the ability for a generator to move to a generator-build option following the failure of an OFTO-build option. In the rare circumstances where a late OFTO build tender fails to provide an acceptable outcome, it will be important to retain as much flexibility as possible with regard to next steps, rather than automatically defaulting to a generator build outcome. The path chosen will be case specific and will also need to take into account the preferred solution of the affected generator.

2.43 - 2.49 Cost Guarantee

We note the intention to remove the 75 per cent ex ante guarantee, on the basis that generators will remain able to recover all efficiently and economically incurred costs as part of the transfer value as defined by Ofgem's ex-post cost assessment. In order to promote confidence that generators and investors will be able to recover these costs, we look forward to the early publication of detailed information by Ofgem regarding both the assessment process and data used in arriving at the cost data derived from the transitional tenders performed to date. The assessment process needs to be shown to be transparent, robust and equitable.

2.53 - Competition Issues

We believe the concerns relating to potential cross subsidy by generators through a transfer of cost from "generation" to "transmission" are overstated. Ofgem now has considerable experience in deciding what constitutes efficiently incurred costs; gained through operation of the transitional arrangements. Any material attempt at cross subsidy would be identified by the valuation process and excluded. The generator would thus experience a significant capital loss on transfer. This is a completely unacceptable risk to countenance, when weighed against the prospective financing benefit outlined in the consultation.

The application of "ring fencing" needs to facilitate efficiency, rather than introduce additional barriers. There are several areas where the single procurement of services from provider[s], which relate to both generation and transmission aspects of the project, provides efficiencies both in time and cost, which are ultimately to the benefit of consumers. There are contractual structures which provide both an umbrella [for common terms and conditions] and activity specific elements, which should allow the required identification of cost to be achieved, whilst retaining the synergies of single contract procurement and operation.

Coordination

The potential of a coordinated to deliver both cost and time savings is considerable. There may be benefits in establishing a central design authority function for National Grid, to coordinate a

strategic network design. We see no incompatibilities between this function and the competitive provision of offshore transmission.

However, there is a need for coordinated reform across several areas:

- A central authority tasked with the strategic design of an offshore network is required
- A lower financial commitment from generators, and a revised framework for user commitment which includes non-financial metrics
- The extension and development of the process initiated by the ENSG, which will facilitate and incentivise transmission owners to make anticipatory investments against credible assessment of future need, both on and offshore
- A clear view of how the generator build option can be effectively integrated into the development of a coordinated network
- The need for investment in offshore transmission is driven by government objectives and national policy for the electricity sector. The scale and rationale for that investment mean that it logically forms part of the national electricity transmission system and should be regarded as such, for both planning and charging purposes.
- Examination of the changes necessary to the wider consenting system, in order to facilitate a coordinated network

3rd Package

We note that work is underway to implement the Third Energy Package into UK law by the required timescale. Ofgem has stated its intention to continue to work together to ensure that the offshore transmission regime will be fully compatible with the requirements of the Third Energy Package.

However, there are still choices to be made in the way that the requirements are transposed into a UK context. No other member state has a comparable offshore regime to the UK, and the provisions regarding separation of transmission and generation activities were primarily drafted to deal with perceived shortfalls which existed in Europe with regard to large utilities business separation and transparency arrangements. The focus should therefore be on delivering the OFTO regime for the UK, and ensuring that transposition of Third Energy Package requirements involves the minimum necessary change to achieve both compliance and the intent of the initiative.

Chapter 3

"*We do not consider that any requirements should be placed on a generator that has chosen to construct transmission assets or to undertake some of the activities otherwise undertaken by an OFTO, which are additional to those placed upon an OFTO under the STC or the Grid Code. We expect that an offshore generator will comply with the minimum standards for transmission system development where it has chosen the generator build approach.*"

We welcome this intention. However, it appears from the provisional drafting that this may not be the case in some areas, such as frequency control and harmonic performance.
The Codes will need to reflect the different characteristics and capabilities of d.c. and a.c. connections in terms of frequency control/harmonics and ensure consistency between onshore/offshore requirements.

Connection Process

We have concerns over the implications of the proposed connection process for the late OFTO/generator build options.

NGET will issue an offer within 3 months. The offer will include the onshore interface point identified by NGET as being the most optimal/economical solution and required data/assumptions to deliver the connection. In the following 3 months the generator and NGET will agree on which works/activities the generator intends to do with respect to the OTSDUW and these will be included in the Construction Agreement.

Twenty eight days after acceptance of the offer, the generator is required to provide the full design of the offshore assets, its programme for the activities and other information from Exhibit B.

Twenty eight days is insufficient to provide a full design of the OTSDUW and is far too early in the process. A more appropriate timescale would at least 3 months. Given that even this initial OTSDUW will necessarily contain a certain number of assumptions, there needs to be scope for the design to be refined in partnership with NGET on an ongoing basis. Where these refinements have no material impact on the onshore transmission system, or onshore works proposed by NGET, there should be no sanction on the generator [e.g. changes would not be subject to the mod app process]
This would be commensurate with this current flexibility that exists when generators seek to modify current Appendix P assumptions in existing connection agreements. CUSC 6.9.6.1 offers some comfort of how materiality will be dealt with but further clarity is required in order to provide the necessary comfort for developers.

Yours faithfully

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