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29/11/10

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29/11/10

Dear Kristina / Yvonne,

Moray Offshore Renewables Ltd (MORL) welcome the latest consultation document from OFGEM / DECC relating to the OFTO enduring regime and as intimated previously we are supportive of the aspiration to complete as much of this process by 18th December as is possible.

Rather than respond to the individual questions as set out in the consultation we would deliver the following brief comments in relation to the main issues raised in the consultation document.

Code Changes to CUSC and Grid Code.

In our opinion the consultation proposes a series of code changes that appear to be relatively benign on the whole.

With the Grid Code changes there is an attempt to codify the obligations for a Generator build. In order to achieve this it is proposed to add another entity (OTSDUW), to the list of existing entities (such as Generators, PPM's etc) that have obligations under the Grid code. This works for the relevant obligations under the Planning and Connection Conditions sections of the Grid Code. What's not clear is how this will dovetail with what has to be picked under the STC and how that will be managed as the proposed changes to the STC are to be considered at a later date. This is not an

ideal situation but we accept that the intent is correct and we will reserve judgement on the overall impact until we see what is done in relation to the STC obligations.

MORL have that noted that the changes within CUSC will obligate parties seeking an offshore connection to express disinterest in a Generator or late OFTO build option when they submit their connection application. MORL are of the opinion that this is not necessary and that we could in fact continue quite easily with the current connection application procedures. If at the time of application a developer has a definitive idea that they will be either Generator or OFTO build then they are quite capable of making that known to NGET and they can tailor the offer accordingly. Everything else can be dealt with after the fact by the Modification Application Process or the Agreement to Vary process. Whilst we can see some logic in what is being proposed we believe it's outweighed by the extra complications to the application process that are introduced. In this respect pushing this through at this time seems unnecessary and if it does later prove to be unwieldy then we would need to revisit the process and make further adjustments. If we can hold off on addressing the STC obligations then MORL see no need to open up this specific debate at this time and in the interests of achieving a Generator build option prior to December 18th we should leave the process as it stands. We believe a prolonged debate over this particular change at this time serves no one well. We would add in support of the status quo, for the present, we have concerns that having accepted one or other type of offer under the proposals that there will be considerable debate as to materiality of change when revisiting the offer later as to the applicability of the Modification Application procedures and related fee.

Cost Guarantees and OFTO of last resort.

MORL also note that OFGEM have notified their signalled to remove the Cost Guarantees and to have no OFTO of last resort for OFTO build tenders.

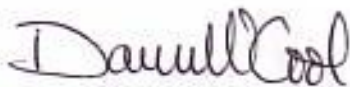
In relation to the removal of the cost guarantees we accept the logic put forward in the consultation paper but we would again stress that OFGEM will have to provide sufficient guidance throughout any given project as to the definition of economic and efficient OFTO spend. We would also urge that all information that they have available to date from the previous tender processes be made available as quickly as possible. On the assumption that the necessary guidance, control and approval processes are put in place and are managed effectively we see no issue with this proposal.

In relation to the OFTO of last resort not being available for a failed OFTO build tender. We accept the general thrust of the logic of this argument but we are less convinced by the statements on how this will be handled. To advocate that the Generator can simply step and in and do it themselves is no real comfort, we maintain that the reasons that made the OFTO build the correct approach initially will still prevail in the majority of

cases. We need further assurances from OFGEM on how such a situation will be managed. If the Generator were to revert to generator build then a delay will ensure that could add at least one year to the process so if it's not an attractive alternative, a quick rerun of the tender is preferable. If the issues of why the tender failed can be addressed quickly we need assurances from OFGEM that the tender can be re-launched in a very quick timescale and perhaps via a truncated process to address the issues of unnecessary delays. If such safeguards can be provided then in principle again we would have grounds for supporting this proposal.

In summary, MORL will not oppose the current Grid Code changes, we will reserve our judgement until the STC issues are addressed. We would advocate that the CUSC changes relating to the application process are not necessary at this time and would benefit from further scrutiny in 2011 in the same time frame as the STC issues. We believe that further comfort is required in what guidance and management processes will be made available to the industry now that the cost guarantees are to be removed, we believe the same comfort and guidance is required in relation to the removal of the OFTO of last resort from OFTO build tenders.

Yours Sincerely



Damien McCool

Grid Connections Manager
Moray Offshore Renewables Limited