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Yvonne, Kristina,

Re Offshore Electricity Transmission: Implementing further refinements to the Enduring Regime

Many thanks for the opportunity to respond to this consultation. Please see our response below.

In general, we welcome the proposed amendments to enable the generator build option. We also support the implementation timetable as set out in the consultation.

However, there remains a need to address some wider issues that continue to cause uncertainty over the competency of the offshore transmission regime.

1. Certification of OFTOs as TSOs under the Third Package.

We note the comments in paragraph 2.63 of the consultation: "We will continue to work together to ensure that the offshore transmission regime will be fully compatible with the requirements of the Third Energy Package". This is, of course, sensible; but what is missing is a clear statement from either Ofgem or DECC on how OFTOs will be certified as TSOs under the Third Package. This remains a key uncertainty for both generators and transmission owners involved in the regime. While we recognise that the ultimate decision on this rests with the Commission, and Ofgem would not want to preempt its own decision on the matter, some comment on the principles that might be applied for certification would go some way towards relieving that uncertainty. In particular, we believe it would be possible to clarify whether or not OFTOs would need to take on system operator functions to achieve certification.

2. OFTO of last resort.

We support the proposed extension of the OFTO of last resort provisions as set out in the consultation. However, we remain unclear about how the OFTO of last resort mechanism would work, were it ever to be invoked. There is a clear question around the timing - and, specifically, how to avoid leaving an offshore generation station "stranded" for the period of time that an OFTO of last resort is appointed. Clearly, this might take a number of weeks or even months. In addition, given the scale of offshore transmission assets, there is a financeability question and a credible scenario where no OFTO of last resort comes forward given the financial impact on its existing business. Further details on the regime, perhaps through a 'war game' exercise, would be welcome.

We would also like to reinforce our suggestion that many of the issues could be dealt with where a generator build option has been pursued, if the regime includes the option for the generator to commission and operate the link under the generation licence (i.e. retaining the onshore boundary point) while a suitable OFTO of last resort is found. The transfer should take place when the assets are complete and commissioned and once an OFTO or OFTO of last resort has been appointed AND certified.

3. Timing of asset transfer.

We support the proposal to place obligations on the generator, under the generator build option, to develop the offshore transmission system in accordance with the transmission system technical standards. This is extremely helpful. However, it remains unclear how the timing of asset transfer is to be determined, particularly for multi-strand connections. The 'cleanest' solution, in our opinion, is as described above, to transfer assets to the OFTO on completion of commissioning of the offshore transmission assets in their entirety. Yet, importantly, this would be some time after the energisation and first export on the assets. To achieve an earlier transfer, at say energisation, would be in effect mid-construction. Clarification on this point is an important element of the policy framework for the generator build option.

4. Ex-ante cost guarantee

We do not agree with your conclusion in 2.49 that the guarantee should be removed and remain convinced that there is not yet sufficient understanding of the offshore transmission market and arrangements for cost assessments to remove the need for this ex-ante cost guarantee. The supply market is still immature, future projects are of a scale, distance from shore and depth of water that represents significant further risk and challenge and comparable worldwide experience is not available to draw on.

Our understanding of the technology for Round 3 projects is if anything even lower than the earlier projects as there is a technological leap from HVAC to HVDC not to mention the various additional areas of design that may be significantly different to the earlier rounds therefore we would argue that if anything the cost guarantee should be increased rather than removed while these uncertainties remain..

5. Build options

The figure in 2.3 does not appear to show the 1 year process required to appoint the OFTO, and therefore even as an illustrative diagram, is potentially misleading.

6. Coordinated approach

We note the continued concerns expressed in the consultation about the co-ordination of future network development, which we share. We welcome the commitment to consult further on this issue next year.

Yours sincerely



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Policy and Public Affairs Director