

To all with an interest in offshore  
electricity transmission

*Promoting choice and value for  
all gas and electricity customers*

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23 February 2011

Dear colleague,

## **Information about future offshore projects**

### **New regime**

Ofgem and DECC introduced a new regulatory regime for offshore electricity transmission in June 2009. A key part of the regime is that offshore transmission licences are granted through a competitive tender process run by Ofgem, with the successful bidder becoming the Offshore Transmission Owner ('OFTO').

### **Early tenders**

The early rounds of tenders are being run under what is known as the 'transitional' regime, where transmission assets constructed by the offshore developer will be transferred to an OFTO identified through the tender process. The first of these tenders commenced in July 2009 and we expect to grant the first offshore transmission licences shortly. A second round of transitional tenders started in November 2010 and we have recently announced the longlist of bidders for this round. After the second transitional tender round, future tender rounds will be run under the enduring regime.

### **Enduring regime**

Under the enduring regime, offshore developers will have the flexibility to choose whether to design and construct transmission assets with a transfer of ownership to an OFTO taking place after the offshore developer has completed construction, or to seek to appoint an OFTO to construct the transmission assets. The most recent publication on the enduring regime was a joint DECC/Ofgem decision document in December 2010<sup>1</sup>. That document set out Government's next steps to fully implement refinements to the enduring regime, including key changes that the Secretary of State has made to the Connection and Use of System Charges Code (CUSC) and the Grid Code. We will be developing the tender process for each of the build options under the enduring regime (i.e. early OFTO build, late OFTO build and Generator build) during the course of this year. Further information on the offshore transmission regulatory regime can be found on our website<sup>2</sup>.

To inform our work in this area, we are seeking to engage with offshore developers and other key stakeholders over the coming months. In particular, we would like to gain an

<sup>1</sup> *Government response to consultations on offshore electricity transmission*. 15 December 2010, URN 10D/1008, Ofgem Ref 157/10.

<sup>2</sup> <http://www.ofgem.gov.uk/Networks/offtrans/Pages/Offshoretransmission.aspx>

understanding of each developer's plans for future offshore transmission projects. This includes any early indication of your intentions in respect of the options available for appointing an OFTO. Determining as much information as possible at this stage will help us ensure that the tender process for the enduring regime is designed in the most timely and appropriate way to meet the needs of future projects.

To take this forward, we request that you fill in the attached table with information on your project plans. Please complete a separate table for each project, as appropriate. In order to most helpfully feed into our internal planning, we ask that you return the attached table by 16 March 2011. Please note that any information provided at this time will be used for internal planning purposes only and will be kept confidential. Further, the provision of this information will not be considered binding – we are seeking to understand your current thinking in this area.

We would also be happy to discuss your project plans with you in the context of the enduring tender process. In order to arrange such a meeting, or if you have any questions about this letter, please contact me or my colleague James Norman (james.norman@ofgem.gov.uk, 0207 901 7420) in the first instance.

We look forward to hearing from you.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Richard Clay', written in a cursive style.

Richard Clay  
**Head of Tender Commencement & Governance**