

**Co-ordinated offshore
transmission development
Stakeholder Community**

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

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Dear Sir/Madam,

**Ofgem/DECC coordinated offshore transmission development stakeholder
community**

Ofgem and DECC recognise the importance of developing a coordinated offshore and onshore electricity transmission network and the benefits this can bring. We are seeking to implement a regime with incentives that maximise opportunities for coordination. Therefore we are jointly undertaking work to consider whether any additional measures will be required to deliver coordinated networks through the competitive offshore transmission regime and, if so, how these measures might work in practice.

We are establishing an Offshore Transmission Coordination Advisory Group (the working group) to provide support to Ofgem and DECC, in the form of expert advice, discussion, analysis, participation in workshops and preparation of papers. This advice will inform the work, which will be undertaken directly by Ofgem and DECC, to develop any necessary policy proposals for consultation. The working group's role and scope and the proposed stakeholder groups to be represented on the working group are attached to this letter.

To support the working group and to enable informed analysis of the areas to be explored, it is essential that the working group has access to timely specialist input on issues arising during the course of their proceedings. In order to facilitate this input, Ofgem and DECC are forming a stakeholder community comprising those with an interest and expertise in the offshore transmission regime.

It is envisaged that members of the stakeholder community will be able to receive and respond to information requests to assist the working group in completing its scope of work and deliverables. This may include specific issues in the areas being addressed by the working group. These areas are specified in the attached terms of reference for the working group.

We invite expressions of interest in being part of the stakeholder community. Interested parties should reply, in writing, confirming their interest by 28 February 2011 to offshorecoordination@ofgem.gov.uk.

All responses should clearly identify the contact details to ensure the accurate and reliable distribution of information requests. Information provided should be clearly labelled as to

whether it is personal opinion or that of a company/organisation. Respondents may request that their responses are kept confidential.

A dedicated area of the Ofgem website will shortly be established on coordinated offshore transmission development. This area will contain information relating to the working group and the stakeholder community including any requests for information. The stakeholder community will be encouraged to regularly check this area of the website.

Yours sincerely,



Robert Hull
Managing Director, Commercial
Ofgem E-Serve



Jonathan Brearley
Director, Energy Strategy and Futures
Department of Energy and Climate Change

Proposed stakeholder groups to be represented on the working group

DECC
Ofgem
Infrastructure UK
Devolved administrations
Offshore generators
Potential OFTOs
Supply chain
System Operator
Transmission Owners
Crown Estate
Marine Management Organisation
European Commission
Green NGOs

Offshore Transmission Coordination Advisory Group

Group role and scope

Background

Government's objectives for the development of offshore transmission infrastructure are to facilitate meeting the 2020 renewable energy target in a manner that enables future carbon budgets to be met on the pathway to 2050, supports energy security and delivers value for money for consumers.

As the energy sector regulator, Ofgem is required to protect the interests of present and future gas and electricity consumers through, among other things, its regulation of transmission networks. This includes their interests in the reduction of greenhouse gases and in the security of the supply.

Government and Ofgem recognise the importance of developing effective and efficient transmission infrastructure to connect offshore renewable generation to the national grid. In this regard, we note that benefits may be realised by developing both onshore and offshore transmission networks in a strategic and coordinated manner.

Realising the benefit of such coordination was a major driver in the decision to extend the role of National Grid Electricity Transmission's (NGET's) onshore System Operator responsibilities offshore, and create a licence obligation requiring the NETSO to develop an Offshore Development Information Statement (ODIS).

In response to the August 2010 consultation on the enduring offshore regime, stakeholders expressed strong support for the principle of a long-term, coordinated approach to offshore transmission development where this did not have associated cost or timing implications for generation project developers. Most respondents were of the view that while the offshore regulatory regime would not create barriers to coordination, nor are current incentives sufficient to bring about significant levels of coordination in practice.

Consequently, DECC and Ofgem announced in an open letter published on 21 October 2010 our intention to undertake further work to consider whether additional measures are required to maximise the opportunity for the benefits of coordinated transmission to be delivered through the offshore transmission regime.

Purpose of the Group

This group allows Government and Ofgem to harness relevant stakeholder expertise, experience and knowledge. The group will provide support to Government and Ofgem's development and consideration of policy options for maximising the opportunity for the development of co-ordinated offshore infrastructure. The group may inform further consideration and consultation on these matters by Government and Ofgem, made in light of the Government objectives and Ofgem's statutory duties referred to above. The advice of the group will in no way fetter the discretion of Government or Ofgem in taking decisions on these matters.

Terms of reference of the Group

The Group shall provide support to Ofgem and DECC, in the form of expert advice, discussion, analysis, participation in workshops and preparation of papers. This advice will

inform the work, which will be undertaken directly by Ofgem and DECC, to develop any necessary policy proposal for consultation.

The areas to be explored by the Group include the:

- 1) identification of any planning, technological or other relevant constraints or drivers to the development of offshore transmission infrastructure;
- 2) consideration - in light of any constraints or drivers identified in (1) and deemed relevant by Government and Ofgem to our work - of the feasibility of different configurations of the National Electricity Transmission System (including those configurations identified in the ODIS); and
- 3) consideration of how to efficiently incentivise, or require, the realisation of the configurations identified in (2).

These areas will be explored against the objectives and statutory duties of Government and Ofgem, and in the context of the established GB offshore transmission regime.

Chairmanship and management of the Group

The chairmanship rests jointly with DECC and Ofgem, who may also revise the terms of reference of this group at any time. Ofgem shall provide the role of secretariat. New members or additional delegates may be invited by DECC and Ofgem to join one or more meetings to advise on specific areas as appropriate.

Stakeholder Community

We will invite a wider community of stakeholders with an interest and expertise and in the offshore transmission regime to express an interest in the OTCAG. They will be able to receive and respond to information requests to assist the OTCAG in completing its scope of work and deliverables.

Meetings of the Group

Meetings shall be held on approximately a bi-monthly basis during 2011, predominantly at DECC or Ofgem's London offices.