

The company secretary  
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*Promoting choice and value for  
all gas and electricity customers*

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Date: 2 March 2011

Dear Company Secretary

**Approval of statement pursuant to amended standard condition E12-J9 (Basis of transmission owner charges)**

**Background**

TC Robin Rigg OFTO Limited ("the Licensee") holds an offshore transmission licence ("the Licence") granted by the Gas and Electricity Markets Authority ("the Authority") under section 6(1)(b) of the Electricity Act 1989. Under its Licence, the Licensee is required to have a statement ("the Statement"), approved by the Authority, setting out the basis upon which it will charge National Grid Electricity Transmission plc ("NGET") for the services it provides. The services comprise:

- Transmission owner services;
- Connections to the Licensee's transmission system; and
- Outage changes.

The Licensee submitted its Statement to the Authority in January 2011, prior to Licence Grant. We shared the Statement with NGET on 27 January 2011, inviting comments on the proposed Statement. Most of the comments that NGET provided focused on ensuring that the Statement is consistent with the terminology in the system operator – transmission owner code ("the STC") and with the onshore Scottish Transmission Owners charging statements. Amongst other comments, NGET argued that Tender Fees<sup>1</sup> should not be recovered as a one off payment, but rather they should be recovered as a recurrent monthly charge. In approving the Statement, we have allowed the Licensee to recover Tender Fees as a one off payment. We consider that as the Tender Fees:

- have been payable to the Authority over the course of the tender process, with the Licensee making their first payment over 18 months ago with subsequent payments since, with the final payment (Successful Bidder payment) required shortly after licence grant; and
- are a one off charge to be paid by the Licensee soon after licence grant, which is different to fees that the Licensee will be liable to on an ongoing basis (such as Network Rates or Licence Fees), which will be recovered from NGET as a recurrent monthly charge;

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<sup>1</sup> Tender Fees, Network Rates and Licence Fees are defined in E12-J3 (restriction of transmission revenue: Allowed pass-through items) of the Licence.

then it is appropriate for the Licensee to recover Tender Fees as a one-off payment. Further, if Offshore Transmission Owners ("OFTOs") were required to recover the Tender Fees as a recurrent monthly charge, then OFTOs' cash flow would be impacted differently depending on the point at which they are licensed during the year. For example, an OFTO who is licensed in March would be able to recover all the fees at once, as there is only one month remaining of the year (fees would be recovered over the period April to March). An OFTO licensed in April however would recover the fees over a 12 month period and therefore be exposed to additional working capital costs. We do not consider it would be appropriate for an OFTO to be disadvantaged in comparison to other OFTOs because of the timing of licence grant.

Scottish and Southern Energy ("SSE"), in their role as a Scottish Transmission Owner, also provided comments on the Statement. These were mainly minor drafting comments and were considered and taken into account by the Licensee when finalising the Statement. SSE noted that the charge out rates set out in appendix 3 of the Statement were higher than those in their charging statement. Although we do not think the level of these rates are such that it should prevent the Authority approving the Statement, we have asked the Licensee to provide supporting evidence that these rates are cost reflective.

Compared to the statements of the onshore Scottish Transmission Owners, the Licensee's Statement contains less information regarding connections to the Licensee's transmission system. This is due to the way the Licensee would be remunerated for connection costs, which is different to onshore transmission. Specifically, the Licensee would recover connection costs as a TO General System Charge.

The Licensee is required to revise the Statement at least once in every year to ensure that the information set out in the Statement continues to be accurate in all material respects.

**Authority's decision**

Pursuant to paragraph 6 of E12-J9 of the Licence, the Authority hereby approves the Statement that was submitted to it by the Licensee and is set out in a separate Annex to this letter.

Yours sincerely,

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**Stephanie McGregor**  
**Director, Offshore Transmission**

**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**Date: 2 March 2011**