

Offshore Transmission Coordination Project

1st Expert workshop

5 April 2011

Agenda

- 1. Welcome & introductions**
- 2. Framing the key issues**
 - Understanding where one another are coming from conceptually
- 3. An industry perspective on barriers**
 - Presentation by RenewableUK to seed discussion
- 4. Incentives, obligations and barriers**
 - Table based group discussion and report back
- 5. Potential solutions - initial brainstorm**
 - Table based group discussion and report back
- 6. Close**

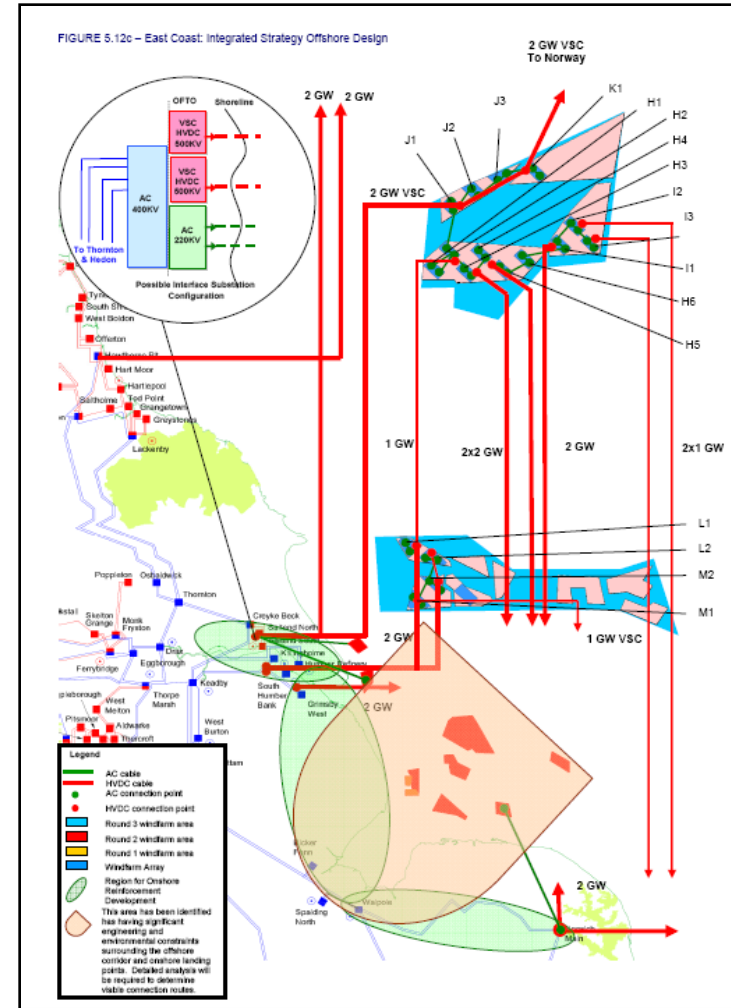
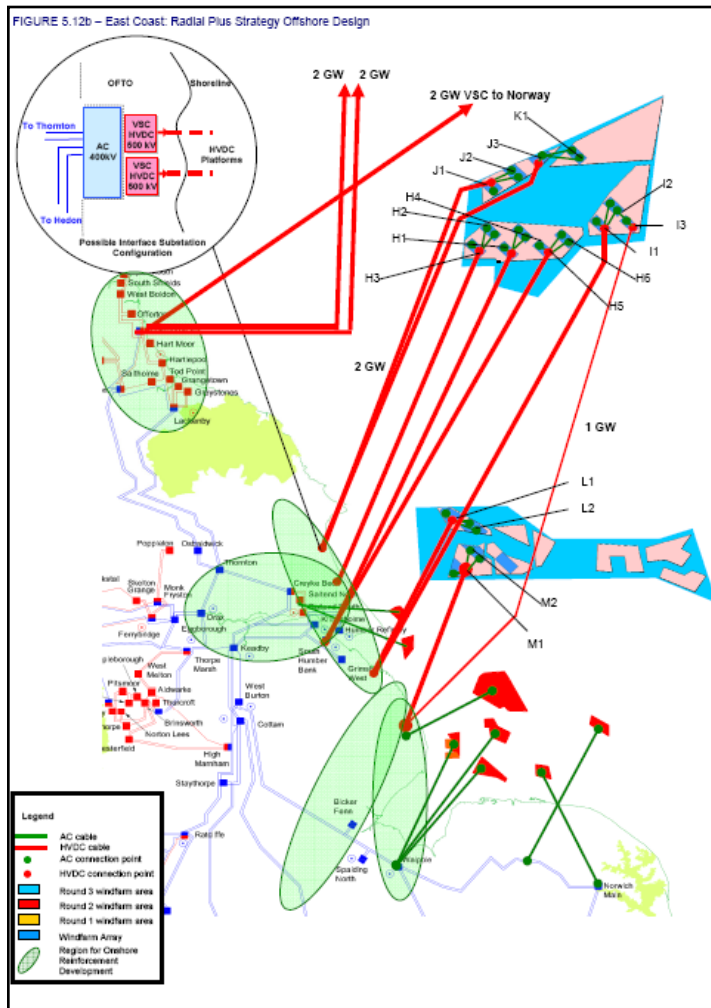
1. Welcome & introductions

- Background to Offshore Transmission Coordination Project
- Project aims, scope, structure and timelines
- Stakeholder groups (OTCG and workshops) and evidence gathering
- Objectives of today's workshop:
 - Understanding of project scope and desired outcomes;
 - Understanding of current incentives and obligations;
 - Identification and prioritisation of barriers to achieving outcomes;
 - Initial brainstorm around potential solutions
- Workshop outputs – to be presented and discussed at 18 April OTCG meeting, with report on OTCG website following that

2. Framing the issue – context

National Grid's ODIS scenarios:

- Set out a range of scenarios of future development
- The offshore transmission regime can be considered against these possible outcomes
- Example: Radial Plus and Integrated solutions compared for the East Coast



2. Framing the issue – Questions

- The coordination project will consider the feasibility (as well as costs and benefits) of different configurations of the NETS, to help inform us in our review of incentives under the offshore transmission regime.
- Key to this consideration is an understanding of relevant constraints or drivers to the delivery of different network scenarios (*part of the aim of today's session*).
- Important to understand where one another are coming from conceptually - to make the session productive.
- Therefore - before exploring the constraints and drivers – an introductory discussion:
 - A) What are the key features of the networks needed to connect CER3?
 - B) Given these features, are the ODIS scenarios/outcomes representative for the purpose of today's high level discussion?

Coordinated Offshore Network

Presentation on Barriers to seed discussion

Guy Nicholson RenewableUK Head of Grid

OTCG technical workshop

05 April 2011

Introduction

- What benefits are being sought?
 - Cost reductions
 - Faster connections
- To deliver:
 - Offshore renewable generation
 - Onshore reinforcements (bootstraps)
 - Interconnectors
- Why?
 - Renewables Targets 2020
 - Decarbonisation of electricity by 2030
 - Overall lower prices and costs through interconnection
 - Increasing European market integration
- But vital to avoid delays or extra costs to current projects!

Are there barriers?

- If players could speed connections or reduce costs they would be doing it. So what might be hindering the process?
 - Transmission Charging & Ownership
 - User commitment
 - Consenting

Transmission Charging & Ownership

- Transmission charging (TNUoS) is under review
 - Through project Transmit.
 - Currently inequitable treatment of offshore vs. onshore generation or all types,
- Current regime might create perverse incentives to:
 - Minimise the length of offshore transmission:
 - connect to the nearest onshore point ignoring onshore impacts;
 - to minimise cost of TNUoS charges.
 - Connect offshore networks at the shoreline:
 - onshore transmission owners may want to control onshore assets;
 - it may be optimum to connect offshore assets further inland.
 - Create interconnections offshore in order to reduce charges:
 - Even if not optimal.
- Interconnectors are exempt from TNUoS “entry” charges
 - overseas generators are advantaged vs. GB generators.

User Commitment & anticipatory investment

- User Commitment
 - Financial securities put up by developers for transmission works.
 - “Final sums” or “Interim Generator User Commitment (IGUM)”.
- Currently User Commitment is a major barrier to offshore development and a coordinated network
 - Coordinated network will need to start developing, permitting, contracting, financing and building the network before full User Commitment of all the projects that may use it or benefit from it.
- User commitment is currently under review through CMP 192.
 - Use other indicators of generator commitments e.g.
 - Crown Estate Lease
 - Resource analysis & data collection
 - Consenting investment and progress (EIA ES)
 - Engineering and design studies
 - Contracts with suppliers & contractors

Consenting

- A coordinated approach must reduce consenting risk and timescales
 - There are several practical challenges in achieving this.
 - Who and what triggers consent process?
 - Can consent be initiated by one party on behalf of another?
 - Can consent be initiated when the ultimate owner is not known?
 - Can additional capacity be provided for undefined future projects?
 - It may not be possible to determine the final design at the consenting stage - therefore
 - Could multiple options be consented, e.g. through the Rochdale Envelope approach?
 - What are the boundaries of a corridor consenting approach?
 - What is the compatibility of the coordinated network with planning process, compulsory purchase and easements
 - could require changes to primary legislation?

Thank you

4. Incentives, obligations and barriers – aims

- August 2010 consultation highlighted strong support for principle of a coordinated approach and a view that there may be insufficient incentives to deliver such an approach – no consensus view of detail
- Session aims
 - Start to explore this detail
 - Identify and develop our understanding of relevant constraints or drivers to the delivery of different network scenarios. For instance:
 - Key commercial incentives
 - Current obligations
 - Other barriers (commercial or other)
- Session output – the Secretariat will summarise the issues raised. We expect this summary to be discussed at the OTCG and published on the OTCG website.

4. Incentives, obligations and barriers – structure

- Session structure:
 1. Groups to identify the 5 most important incentives / obligations / barriers (25 minutes)
 2. Reporting back from each group and open discussion (25 minutes)

5. Potential solutions – initial brainstorm

- Session aims:
 - A first opportunity to identify and discuss potential solutions in response to the constraints and drivers identified in session 3.
 - Further opportunities to discuss solutions identified and others in coming months.
- Session output:
 - The Secretariat will summarise the issues raised. We expect this summary to be discussed at the OTCG and published on the OTCG website.
- Session structure:
 - Groups to identify potential solutions
 - Reporting back of potential solutions and open discussion