

# **Offshore Transmission Coordination Group (OTCG)**

## **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).

The 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. The key criteria to be mindful of when considering these issues are: security of supply, cost to consumers and the facilitation of Government's renewable energy and decarbonisation targets (to 2020 and 2050). Consideration of the costs and benefits of different configurations and options will take into account the likely lifespans of the assets involved. 2030 will be taken as a reference year for when the offshore network is likely to be largely in place.

The group should also be mindful of any dependencies between the work it undertakes and that which is developed through other relevant fora, in particular the Electricity Networks Strategy Group (ENSG) and the North Seas Countries' Offshore Grid Initiative (NSCOGI), as well as the interface between the onshore and offshore grids.

## **Chairmanship and management of 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 Group. They will be able to receive and respond to information requests to assist the Group in completing its scope of work and deliverables.

## **Meetings of the Group**

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