

Minutes of the Offshore Transmission Coordination Group (OTCG)

Co-hosted by DECC and Ofgem at BIS Conference Centre, 1 Victoria Street, London SW1H 0ET

Meeting 2: 18 April 2011, 9:00 – 11:00

Attendees

Chair

<i>Ofgem</i>	Robert Hull	Managing Director – Commercial, Ofgem E-Serve
--------------	-------------	---

Coordinators

<i>Ofgem</i>	Colin Green	Ofgem E-Serve
<i>Government</i>	Duncan Stone	DECC

Members

<i>Devolved administration</i>	Peter Hughes	Department of Enterprise, Trade & Investment, Northern Ireland Executive [by phone]
<i>Devolved administration</i>	Michael McElhinney	Scottish Government [by phone]
<i>Generators</i>	Allan Kelly	ScottishPower Renewables (OWDF sub-group nominee)
<i>Generators</i>	Fiona Navesey (for Philip Davies)	Centrica Energy
<i>Generators</i>	Richard Sandford	RWE
<i>OFTO</i>	Chris Veal	Transmission Capital Partners
<i>OFTO</i>	Sean McLachlan	Balfour Beatty
<i>Supply chain</i>	Tsunenori Kato	Mitsubishi
<i>Supply chain</i>	Eoin Nolan	Alstom Grid
<i>Supply chain</i>	Matthew Knight	Siemens Transmission and Distribution Ltd
<i>NETSO</i>	Richard Smith	National Grid
<i>Transmission owners</i>	Colin Bayfield	Scottish Power Energy Networks
<i>Licensing authority</i>	Chuan Zhang	The Crown Estate
<i>Environmental NGO</i>	Nick Molho	WWF

Apologies

<i>Licensing authority</i>	Ashley Holt	Marine Management Organisation
<i>Devolved administration</i>	Ron Loveland	Welsh Assembly Government
<i>Europe</i>	Christophe Schramm	European Commission (attending on needs basis)
<i>Government</i>	Mark Thomas	Infrastructure UK
<i>Generators</i>	Guy Nicholson	RenewableUK
<i>Government</i>	Jonathan Brearley	DECC

Also in attendance

<i>Government</i>	Kristina Dahlstrom	DECC
<i>Government</i>	Patrick Erwin	DECC
<i>Government</i>	Teresa Abu	DECC
<i>Ofgem</i>	Elaine Yong	Ofgem E-Serve
<i>Ofgem</i>	Sam Cope	Ofgem E-Serve
<i>Ofgem</i>	Hazel Gulliver	Ofgem E-Serve [by phone]

1. Welcome and introductions

The chair welcomed members of the group to the second meeting of the OTCG. It was noted that RWE and Centrica are now members of the group.

2. General Update

The chair invited Duncan Stone to provide a general update on the project. It was noted that the first expert workshop had been held on 5 April and had focussed primarily on work stream 1 - a review of business as usual. Other points to note included the imminent appointment of consultants to provide economic and technical support to Ofgem and DECC, as well as the publication of a finalised Terms of Reference for the group and distribution among the members of an approach paper.

Members were referred to the slides accompanying the meeting.

3. Work stream 1: Review of business as usual

The Chair invited Sam Cope and Kristina Dahlstrom to provide an update on progress of work stream 1: a review of business as usual.

Kristina Dahlstrom noted that the expert workshop held on 5 April had sought to identify key drivers and potential constraints to co-ordinated network development. The expert group was also asked for their view as to what they thought could be done to address any of the issues that were identified. The output of this work was a set of summary notes that had been produced by the Secretariat and circulated to the OTCG in advance of the meeting.

It was explained that themes that had emerged from the workshop would be discussed as part of the 2nd OTCG meeting. Members would be asked to provide feedback on whether they felt the correct issues had been identified, if there were any gaps in the issues raised and also to indicate the relative priority of the issues. The group would also be asked to identify what might be done to address the barriers they had identified.

Following this discussion, an amended version of the meeting note would be published on the Ofgem website. This version of the note would also reflect the views of the OTCG. It was noted that the meeting note would reflect the Secretariat's summary of the views expressed at the expert workshop and 2nd OTCG meeting and should not be considered to reflect either DECC or Ofgem's views.

Sam Cope then outlined the range of barriers identified by stakeholders at the workshop. He grouped these issues into four key themes: what to build and who decides; who pays for co-ordinated assets; the consenting

of offshore transmission assets and project uncertainty. Following this comments were invited from the group around each of the themes identified. A high level summary of the group's comments is set out below:

Theme 1: What to build and who decides?

- The OTCG generally felt that the issues identified by the expert group were the correct ones, although there was a view that interoperability would be a key aspect to future proofing the offshore network.
- The group noted that it should be reflected that projects have a number of stages with different costs associated with each stage and perhaps different parties that are best placed to make decisions regarding what goes ahead using different criteria at each stage.
- One party noted that there would be a challenge in having any new independent body involved in taking decisions about investments ahead of demand or design decisions. They felt that these responsibilities should remain with the NETSO. In particular they felt that the Offshore Development Information Statement (ODIS), as well as work undertaken between the NETSO and TOs would be best in achieving a fit for purpose network. However, another party noted that there remained the potential for conflicts of interest to arise whilst onshore businesses took responsibility for such decision making – since there may be opportunity for decisions to be taken which maximise profits for those businesses.
- With regard to technology standardisation, some felt that efforts could be made to draw together the various initiatives being undertaken to develop technology standards. Technical feasibility could strongly determine the level of coordination that is achievable with incremental growth.

Theme 2: Who pays for co-ordinated assets?

- The OTCG generally felt that the issues identified by the expert group were the correct ones – although they had some points of detail to make.
- The OTCG considered the key issue is more about who makes the early commitment to coordinated assets up to seven years ahead of delivery, and less about transmission charging.
- The OTCG noted that the risk profile for anticipatory investment relating to 'early GWs' of offshore wind was likely to be quite different to that relating to 'later GWs'.
- The OTCG felt that there might be a distinction between the treatment of aspects of pre construction investment against that of more significant capital expenditure. It was felt that onshore pre construction investments at landing points could be made ahead of demand to enable subsequent and more significant capital investments, although this was likely to have key interactions with the planning regime (see Theme 3). It was felt that the cost of these investments was likely to be relatively low against the potential savings that such investments could be expected to deliver.

Theme 3: The consenting of offshore transmission assets

The OTCG also felt that the interaction with the planning regime was a key issue to be considered as part of the project. The OTCG felt that whilst the majority of issues had been captured by the expert group, there were some additional areas which should be considered:

- The group noted that there was a question as to which party should undertake consenting activities. Currently generators are doing this on a project by project basis, but it was not clear that they would want or be able to do this where shared assets were to be developed.
- There are likely to be challenges where one party seeks consent or to acquire wayleaves on behalf of multiple or future parties.
- It was also noted that future infrastructure requirements would need to be well justified to planning authorities. It was not clear what level of justification would prove sufficient (i.e. who should sign off the need case for future infrastructure?).

Theme 4: Project uncertainty

The OTCG generally felt that the issues identified by the expert group were the correct ones.

Following the discussion of the key themes the OTCG was invited to identify what might be done to address the barriers they had identified. The OTCG generally agreed with the views set out by the expert group, but had some additional comments:

- It was suggested that further work could be usefully done to understand what parts of the offshore network are best suited to coordinated outcomes. Some felt that some zones would only ever be suitable for radial connections. Some members proposed that Ofgem's consultants should be invited to consider this issue.
- Links to other work being undertaken (e.g. by the ENSG, project TransmiT and NSCOGI) should be more clearly set out from the outset. It was suggested that there be an item at the next OTCG meeting which gives an update on the work that each group is undertaking. It was noted that the ENSG work is being undertaken by onshore TO's and therefore should be seen in this context.
- While it was recognised by the meeting that an enduring offshore transmission regime was already in place to support investment and development activity, it was suggested that DECC and Ofgem should announce, as early as possible, a proposed commencement date for when any proposals coming out of the co-ordination project would take effect.

The comments made at the OTCG have been reflected in the workshop meeting note which will be made available on the Ofgem website.¹

Action 1: Ofgem and DECC to update the meeting note summarising the first expert workshop and publish on the Ofgem website.

¹ See <http://www.ofgem.gov.uk/Networks/offtrans/pdc/pwg/OTCP/Pages/OTCP.aspx>

Action 2: Ofgem and DECC to include an agenda item at the next OTCG meeting providing an update on related work. Group members who may be well placed to provide an update on this work may be asked to do so.

4. Work stream 2: Asset Delivery - Introduction

The chair invited Colin Green to provide an introduction to work stream 2. Members were referred to the information in the slides accompanying the meeting.

Work stream 2 is being undertaken to provide Government and Ofgem with a better understanding of the technical feasibility and costs and benefits of a range of grid configurations. Costs and benefits will change against different input and demand scenarios. It was noted that there appears to be consensus amongst stakeholders that co-ordinated network development will be incremental and ideally can be optimised over time. The intention is to better understand the incremental cost of different network configurations - this will help inform a view on the cost and value of building in 'optionality'.

The outputs of this work will be used to inform an assessment of any additional measures that may be required to maximise the benefits of co-ordination. Members of the group and others in the stakeholder community will be asked to test our thinking and hone the work outputs. Therefore, it is expected that the 2nd expert workshop will, amongst other things, examine the ODIS scenarios and test the assumptions behind them. It is anticipated that consultants will be appointed to assist Ofgem and DECC with this workstream. It was expected that the consultants would attend the 2nd expert workshop.

Colin Green invited comments and questions from the group on this work stream. Topics raised by the group included the following:

- This work stream should take into account any need for technical standardisation and interoperability as well as the different phases in the development of projects
- While optionality will be important, there may also need to be some 'no regrets' investment up front to provide sufficient certainty
- The configurations should consider the regulatory and commercial impact of the option, not just technical feasibility
- Various factors would change over time (technology being one) therefore any regime that is developed must be robust enough to cope with change.

5. Concluding remarks and planning for next meeting

The chair noted that the meeting had helped to further define the broad issues of concern. Comments from members of the group had provided a better sense of the respective priority of various issues. The following points were highlighted:

- Degrees of co-ordination required - Discussion suggested that there is a spectrum of possible coordinated outcomes. Some projects may not require a co-ordinated outcome (eg. are best suited to

radial connections), whilst others may benefit from co-ordination. There may be benefit in defining where projects sit along this spectrum.

- Asset future-proofing - The group was invited to consider and provide any supporting evidence on areas that are important to consider when designing optionality for future development into assets. This might include, for example, larger onshore landing points or additional space on offshore substation platforms. Members were invited to include information on associated issues such as responsibility, timing and cost.
- Technical interoperability - The group was invited to provide suggestions on what was required and what could be done to enhance current efforts to develop technical standards.
- Planning and consenting - Government/Ofgem will, given feedback from this meeting, also consider setting up a workshop or meetings to give further attention to the issue of consenting.
- Interaction with other initiatives - It was also noted that there were other relevant and useful initiatives underway (such as with Europe, National Grid's ODIS consultation, and the work of the Electricity Networks Strategy Group (ENSG)). As such, Government and Ofgem should consider how these might contribute to the Offshore Co-ordination work programme.

Action 3: Working group members to provide information and evidence on the spectrum of potential co-ordination needed for alternative projects or development areas, and how they might be defined.

Action 4: Working group members to provide information and evidence on how optionality for future development might be built into offshore network and asset design.

Action 5: Working group members to provide information and evidence on how technical interoperability might be defined and built into offshore network and asset design.

Action 6: Ofgem and DECC to arrange a meeting/workshop to consider how to progress the issue of consenting.

Action 7: Alongside, Action 2 above, Ofgem and DECC to map the potential contribution and outputs from other relevant work, such as the ENSG and consultation on the 2011 ODIS.

6. Close

The chair thanked the members for their attendance and input and closed the meeting.