

RWE npower renewables

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Changes to the Offshore Transmission Owner (OFTO) Availability Incentive

Dear Sam,

Thank you for the opportunity to comment on this consultation regarding the OFTO Availability Incentive. This response is provided on behalf of the RWE group of companies, including RWE Npower plc, RWE Supply and Trading GmbH and RWE Npower Renewables Limited, a fully owned subsidiary of RWE Innogy GmbH.

As stated in my earlier response to Questions 1 and 2 of the consultation, RWE welcome the simplifications Ofgem are proposing, and recognise that the revised incentive is an improvement on the incentive from Tender Round 1; however, we do not feel that generators are sufficiently protected by the incentive mechanism, due to the asymmetric apportionment of risk between the generator and the OFTO.

As such, RWE wish to see a sharpening of the incentive to produce a more equal apportionment of risk between the OFTO and the developer; further clarification of the OFTO of Last Resort Process; and clarification of the mechanism for revocation of an OFTO's Licence.

Appendix 1, attached to this letter, provides detailed responses to each of the questions set out in the consultation document.

If you wish to discuss any aspect of our response, please do not hesitate to contact me on 01793 474158 or via Robert.Duncalf@rwe.com.

Yours sincerely,



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Appendix 1

Question 1 - Does removing monthly availability targets lead to a simpler and better targeted incentive?

We welcome the simplification of the incentive through the removal of the OFTO's monthly availability targets; however, it is crucial that the generator has the option of amending its revenue profile on an annual basis - allowing for changes in the wholesale markets.

Question 2 - Would the incentive better meet its policy intent if we replaced the credit banking mechanism?

We also welcome the replacement of the credit banking mechanism; however, in order to further promote coordination and cooperation between the generator and the OFTO, the credits awarded for over performance should be linked to generation revenue losses. This would incentivise the OFTO to add value, through ensuring the production of as much renewable generation as possible.

Question 3 – what are the advantages and disadvantages of aligning availability payments to the end of March?

Given the higher level of onshore security relative to offshore security, the offshore generator is more at the mercy of the OFTO and outages will have greater material impact on the generator. By aligning the availability payments, so the OFTO feels the effect as soon as possible, the OFTO will have a greater incentive to maximise the availability of the transmission system.

A further advantage of aligning TNUoS and availability incentives would be that they would reflect the effects of performance/under performance more directly.

Question 4 – can we improve the flow of information about outages to developers within the existing industry framework?

We believe that effective and timely communication of information from OFTOs to developers is essential; the current arrangements do not go far enough to ensure this.

We propose that the obligation in the System operator – Transmission owner Code (STC) is amended such that the OFTO must notify both the National Electricity Transmission System Operator (NETSO) and the generator at the same time.

Furthermore, as stated above, if the OFTO's performance credits were linked to revenue, it would be incentivised to communicate clearly and work together with the developer to align outages.

Question 5 – how can we best ensure that the incentive is maintained for the length of the revenue stream?

We believe that the most effective mechanism would be a requirement for the OFTO to post a performance bond, equivalent to 50% of its annual revenue stream, five years before the expiry of its Licence. The NETSO, as the party who regulates the OFTO's revenue stream, would be best placed to call upon the bond.

Question 6 – how can we account for testing of transmission assets during wind farm commissioning?

We believe that this issue should be assessed on a project-by-project basis, to reflect each project's construction and commissioning programme. In cases where the incentive becomes effective at the date the transmission assets have been accepted on to the National Electricity Transmission System (NETS), there should be flexibility in the regime such that any formal request for an outage from the generator should not count towards the OFTO's availability target.