Offshore Transmission Coordination Project

Second Expert Workshop: Asset Delivery

6th May 2011

Meeting Note

Introduction

In pursuit of the joint work being undertaken by Ofgem and DECC to consider whether any additional measures will be required to deliver co-ordinated networks through the competitive offshore transmission regime, a second expert workshop was held on 6 May 2011. The agenda for this second workshop was developed to provide input to Work stream 2 of the Offshore Transmission Coordination project, on Asset Delivery. 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.

Workshop Overview

The second expert workshop focused on consideration of the types of grid configuration model policy incentives should be designed to encourage. The format of the workshop was as follows:

1) Welcome & introductions
2) TNEI presentation on Asset Delivery
3) National Grid presentation on ODIS work and Coordinated Solution Update
4) The process for delivering transmission – table based group discussion and report back
5) Identifying the critical elements for co-ordinated action – table based discussion and report back

Outputs

This paper provides a summary of views expressed during discussions under agenda items four and five. Appendix 1 lists the organisations that participated in the workshop.

This note reflects the Secretariat's summary of the views expressed at the workshop, and complemented by further comments from the OTCG on 24 May, and should not be considered to reflect either DECC or Ofgem's views.

Presentation Session[1]

TNEI/PPA gave an introductory presentation on their proposed work. The consultants suggested that what they were trying to achieve was identification of a set of robust systems, given the current technical capabilities. It was noted that this may not necessarily reflect the perceived "optimum" approach.

National Grid provided a presentation on their experiences with managing the development of a proposed integrated network, and their work on preparing the Offshore Development Information Statement (ODIS).

Discussion Session 1: Identifying the key steps in the process for delivering offshore transmission assets.

Summary of Discussion

Workshop participants were asked to discuss and identify the developmental processes for the delivery of transmission assets, including consideration of the sequence of steps (planning/consenting, technology/assets selection) needed to deliver a project, and how that would change against different coordinated outcomes.

The following issues were identified following the table-based discussions, with most of the groups picking up on similar themes:

1. Planning and consenting – this is emerging as a significant issue. The initial project definition, clarification of what needs to be built and identification of possible onshore landing points, were identified by the group as potentially being some of the most important aspects in the consent application process. Definition of the "needs case" as well as the strategic environmental assessment are key priorities in project development.

   Developers are not willing to provide early securitisation of later blocks of generation. There seems to be a preference for securing each block of generation in turn, once board approval has been obtained. There would therefore seem to be a risk that projects are consented on a very narrow basis causing developers difficulty with planning when further blocks of generation are secured at a later date.

   There was also seen to be a need for clarity on who is responsible for each aspect of project development. Some participants mentioned the need for consideration of the big picture in project development, and possible problems with anticipatory consenting. The first project to seek consent in a particular zone will have a higher risk attached, given the uncertainty about whether, and when, other projects will come online. Consenting was considered by some as the most important aspect of project development, with the argument put forward that having the best technical design and cheapest solution may be worth less in the event it

[1] Both presentations are available on the Offshore Coordination website: http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=12&refer=Networks/offtrans/pdc/pwg/OTCP

was not awarded consent. Developers also stressed their desire for early clarity on the interface points which will be used.

2. Commercial Issues – many participants felt it was difficult to focus on the technical elements of the development of a coordinated network in isolation from commercial issues.

3. Developments in Technology – Demonstrating the need for a project was thought to be an essential component, though participants stressed the need for projects to contain a certain amount of flexibility in order to recognise the possibility for technological developments. It was also suggested that engaging with the supply chain early on in the process to establish what they are capable of providing would be beneficial. In considering which technology is most appropriate for a particular project, there is a need to know whether it will be ready in time for the particular project timeframes. Technology availability is also closely linked to anticipatory investment.

4. Impact of introducing coordination on projects in development – Some participants felt that it would not be appropriate to introduce an integrated/coordinated approach to Round 3 projects as this would require a step back on these projects and lead to delay. Others felt that this delay might not be too serious in the long-term as streamlining of supply chain needs might help speed up the construction process. If introducing a coordinated approach, it was felt that there needs to be cost benefit analysis and risk assessments all the way through project development. This will help satisfy the need for business certainty, industry confidence and clarity over what cost model will apply.

Discussion Session 2: Identifying the critical elements to enable co-ordination

The second session asked participants to identify the critical elements to enable coordination, including identifying what elements (i.e. technology/assets) would be common across different coordinated outcomes, and which of these would be critical to coordination. This is important to help identify any decisions which could constrain potential future developments. Some of the feedback from the second discussion echoed issues raised in the first session. The strong desire to avoid delays from the consenting process, and the need for flexibility were identified as priorities. The desire for regime certainty at the earliest opportunity was also reiterated.

The discussion can be summarised as follows:

1. What do we mean by "coordination" – It was felt that there are a number of different elements to the definition of coordination. Does this extend to issues of interconnection and interactions with third countries for example? Four different types of coordination investment were suggested: coordination between on and offshore, within a "zone", between zones, or possibly with other countries?

At the OTCG meeting on 24 May, one OTCG member suggested that a further method of coordination investment could be included in this list, that being a combination of all of the above.

2. Standardisation – Standardisation of technical standards as well as voltages and control would be welcome. However, it was also felt there was a risk standardisation could increase the risk of a sub-optimal solution being chosen. There was concern that de facto standards might evolve, which might not necessarily be the best option. Compatibility between manufacturers was felt to be crucial.

3. Allocation of Responsibilities – Who takes the lead on a project will be key when considering the costs involved. Participants expressed concerns about who would be responsible for deciding what would be required for the network and then who would build and own it. In addition, who will be responsible for protection/control of a coordinated system was also felt to be important. However these questions are answered, it was felt that there was a need for more sophisticated control/protection processes in a coordinated network.

At the OTCG meeting on 24 May, OTCG members provided further input to the issues which should be considered as part of the asset delivery work stream. The issue of 'risk' is one which OTCG members feel comes up often, in relation to both technical and regulatory issues i.e. which party is it who must take the initial risk with the project?

It was suggested by an OTCG member that developing a matrix which indicates which party might be best placed to bear the risk at each stage in the process.

4. Future-proofing – It was felt that the challenges in relation to future-proofing an offshore network would be greater than for an onshore network. There was concern that development of a coordinated network would limit the flexibility a generator has to modify a particular project/programme. Allowing for space on platforms for future expansion was felt to be important. Using bigger route corridors and ducts in the development of a project would provide the potential for increased capacity. It was therefore felt that developing a coordinated solution could lead to larger links being built earlier.

OTCG members also commented, during the 24 May meeting, that the technical implications of building future proofing into assets can be very significant and costly.