Workshop on coordinated offshore transmission development – Commercial, regulatory and incentive issues

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Agenda

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Part A – Issues and Evidence

- Redpoint presentation: review of current regime, potential problems and evidence required
- Discussion of problems (*15 min group discussion, 15 min feedback*)

Part B – Assessment Criteria

- Redpoint presentation: overview of assessment criteria and how this fits into the evaluation framework.
- Discussion of criteria (*15 min group discussion, 15 min feedback*):
  - Views on criteria
  - Gaps and priorities

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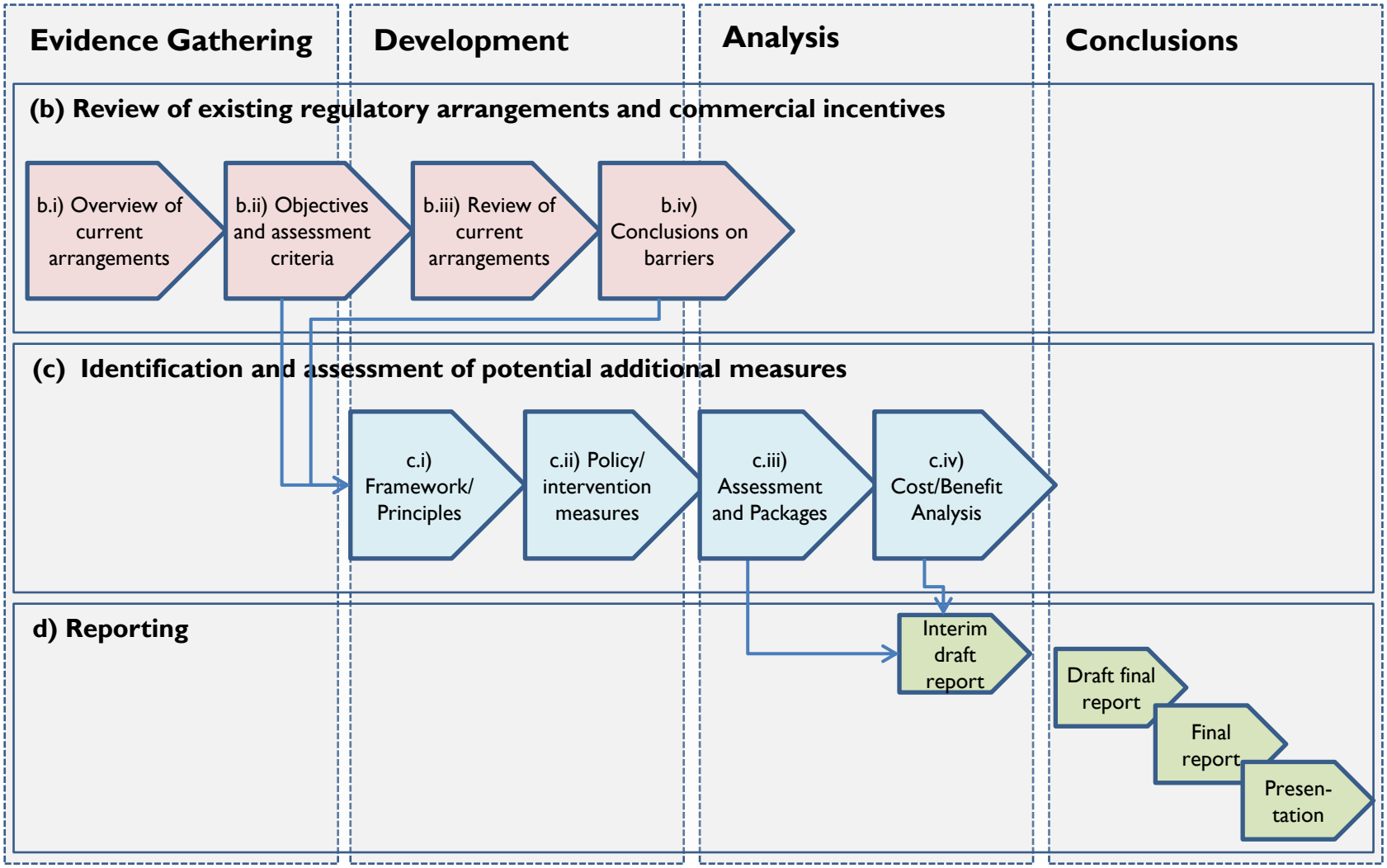
Part C – Potential Measures

- Redpoint presentation: possible policy measures and how they address potential problems
- Discussion questions (*30 min group discussion, 30 min feedback*):
  - How would the options work?
  - How would they score against the assessment criteria?

Part A – Issues and Evidence

Commercial, regulatory and incentive issues - work stream approach



Review of the existing regime

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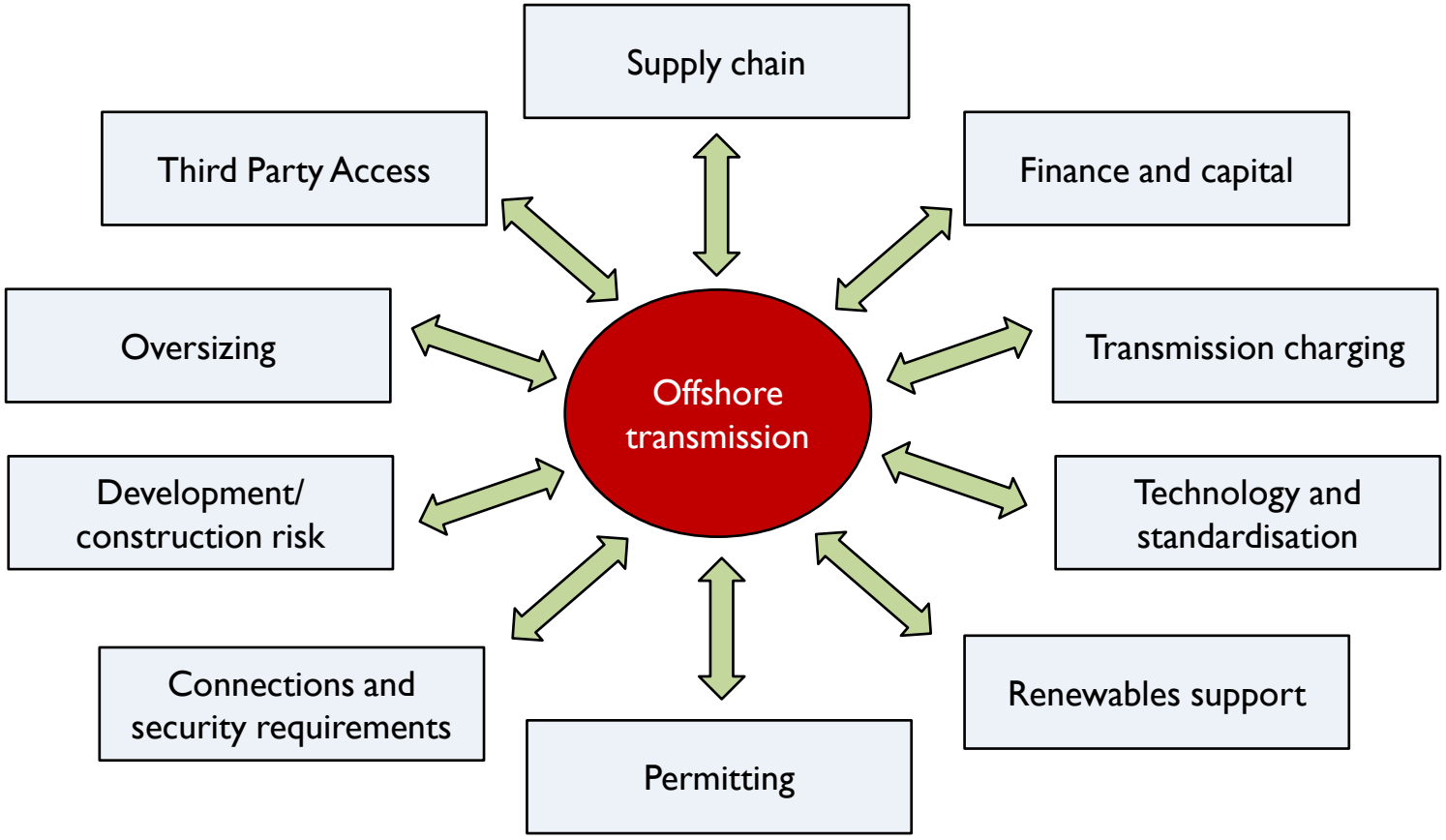
- Review focused on collating and identifying barriers to coordination and integration across all key facets of the current regime



Key potential problem statements

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- Lack of a vision for coordination
- User commitment rules require securitisation of anticipatory investment
- Transmission charging means first generator has to pay for oversizing
- Lack of incentive for coordination where there are impacts on other developers
- Anticipatory investment process uncertainty
- Asset incompatibility
- Planning and consenting process can block anticipatory investment
- No mechanism for linking with trans-national interconnectors
- Developers unwilling to take risks on new technology that could deliver widespread benefits, exacerbated by small and concentrated supply chain
- Developer cashflow constraints impinge on willingness to undertake anticipatory investment

Workshop session 1: consideration and evaluation of potential problems

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- Do you agree with the potential problem statement?
  - Are there any other problems affecting coordination
- What is the evidence on these problems
  - What supporting examples can be provided?
- What are the priority issues
  - In terms of materiality for coordination?
  - In terms of commercial materiality for projects?

Part B – Assessment Criteria

Initial assessment criteria

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Overall project objectives	Criteria for assessment
Support timely build of offshore generation and wider sustainability	1. Support timely and economic build of offshore generation to 2020 2. Support timely and economic build of offshore generation to 2030 3. Local environmental impacts
Promote reliability and security of supply	1. Flexibility and reliability of GB transmission network 2. Flexibility in system operation
Deliver economic benefits	1. Deliver economic benefits of coordination 2. Promote economic efficiency through charging and role of markets 3. Impact on innovation/dynamic efficiency 4. Risk of stranded transmission assets 5. Impact on supply chains 6. Financeability of offshore investment 7. Breadth of potential investors
Ensure a fair and proportionate distribution of benefits, costs and risks	1. Risk for consumers 2. Risk of excessive rents 3. Efficient allocation of risk
Be deliverable and flexible	1. Flexibility to deal with range of future possibilities 2. Compatibility with current arrangements/risk of disruptions 3. Level of complexity and administration cost 4. Risk of unintended consequences

Workshop session 2: assessment criteria

- Do the criteria for assessment follow appropriately from the overall project objectives?
- Are there any gaps in the criteria?
- Should priority be attached to specific criteria?

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Part C – Potential Measures

Potential problem	Potential solutions
Lack of a vision for coordination	Information provision; Design blueprint
User commitment rules require securitisation of anticipatory investment	Clarify regulatory arrangements; Sharing of risk with consumers and/or OFTOs; Consumers underwrite
Transmission charging means first generator has to pay for oversizing	Generators pay for oversizing; Open season arrangements; Sharing of cost with consumers and/or OFTOs; Consumers pay for oversizing
Lack of incentive for coordination where there are impacts on other developers	Generator responsibility; Regional OFTO to provide coordinated solution; Design blueprint
Anticipatory investment process uncertainty	Clarify what should be provided on a 'no regrets' basis; Clarify applicability of existing processes; Create new process for generators/OFTO builders
Asset incompatibility	Standardisation of operating parameters; Standardisation of assets
Planning and consenting process can block anticipatory investment	Clarify IPC guidance; changes to Scottish arrangements
No mechanism for linking with trans-national interconnectors	Regulatory compatibility
Developers unwilling to take risks on new technology that could deliver widespread benefits, exacerbated by supply chain	Developers underwrite new technology risks; Sharing of new technology risks; Consumers underwrite new technology risks
Developer cashflow constraints impinge on willingness to undertake anticipatory investment	Generator responsibility; Sharing of risk with consumers and/or OFTOs; Consumers underwrite

Workshop session 3: consideration and evaluation of potential measures

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- We invite participants to discuss:
  - The potential options
  - How they would work
  - How they would score against the assessment criteria

Workshop session 3: consideration and evaluation of potential measures

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- **Vision/Blueprint (table 1)**
  - Who should decide whether coordination is possible and beneficial?
  - How is the vision or blueprint determined?
  - Who creates the vision or blueprint?
  - What is the appropriate balance between information provision and mandating investment?
- **Charging and user commitment (table 2)**
  - What level of stranded cost risks will consumers face and how can this be mitigated?
  - What charges should generators face for anticipatory investment?
- **Appointment of a single regional OFTO (table 3)**
  - Would a single transmission owner deliver greater coordination?
  - How could the single OFTO be appointed?
    - Tender for initial asset?
    - Tender for price of future build?
- **Delivery of anticipatory investment under current arrangements (table 4)**
  - Will generators or OFTOs agree to self-build any anticipatory investment and how can they be enabled to do so?
  - What existing processes could be used to make offshore anticipatory investment decisions? How well do/would they work?
  - Is a new process needed? What would it look like?
  - Should developers be funded up from to make 'no regrets' anticipatory investment?
- **Technology risks and standards (table 5)**
  - Would there be benefits from standardisation through a transparent, consensus-based process?
  - Could sharing of technology risk be a worthwhile way to encourage innovation in transmission infrastructure?

Thank you

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