

# Minutes of the Offshore Transmission Coordination Group (OTCG)

Co-hosted by DECC and Ofgem at 9 Millbank, London, SW1P 3GE

Meeting 4: 25 July 2011, 14:30 – 16:30

## Attendees

### Co-chairs

<i>Ofgem</i>	Robert Hull	Ofgem E-Serve
<i>Government</i>	Jonathan Brearley	DECC

### Coordinators

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

### Members

<i>Devolved administration</i>	Michael McElhinney	Scottish Government
<i>Generators</i>	Allan Kelly	ScottishPower Renewables (OWDF sub-group nominee) [by phone]
<i>Generators</i>	Philip Davies	Centrica Energy
<i>Generators</i>	Bart Oberink	RWE [by phone]
<i>OFTO</i>	Mike Lee	Transmission Capital Partners
<i>OFTO</i>	Sean McLachlan	Balfour Beatty
<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>Licensing authority</i>	Chuan Zhang	The Crown Estate
<i>Devolved administration</i>	Ron Loveland	Welsh Assembly Government
<i>Government</i>	Mark Thomas	Infrastructure UK
<i>Generators</i>	Guy Nicholson	RenewableUK
<i>Transmission owners</i>	Colin Bayfield	Scottish Power Energy Networks

### Apologies

<i>Licensing authority</i>	Ashley Holt	Marine Management Organisation
<i>Environmental NGO</i>	Nick Molho	WWF
<i>Europe</i>	Christophe Schramm	European Commission (attending on needs basis)
<i>Potential OFTO</i>	Tsunenori Kato	Mitsubishi
<i>Devolved administration</i>	Peter Hughes	Department of Enterprise, Trade & Investment, Northern Ireland Executive

## Also in attendance

<i>Government</i>	Kristina Dahlstrom	DECC
<i>Government</i>	Lawrence Avery	DECC
<i>Government</i>	Gary Shanahan	DECC
<i>Ofgem</i>	Elaine Yong	Ofgem E-Serve
<i>Ofgem</i>	Sam Cope	Ofgem E-Serve
<i>Ofgem</i>	Jon Parker	Ofgem E-Serve
<i>Ofgem</i>	Martin Scarfe	Ofgem E-Serve
<i>Consultant</i>	Ilesh Patel	Redpoint
<i>Consultant</i>	Graeme Bathurst	TNEI

### 1. Welcome and introductions

The chair welcomed members of the group to the fourth meeting of the OTCG.

### 2. General Update

The chair invited Kristina Dahlstrom to provide a general update on the project.

#### a) Project update

Members were referred to the slides accompanying the meeting. Progress from the last OTCG meeting was noted – this included two expert workshops held on 17 June and 21 July. Detailed updates on these workshops would be provided under agenda items 3 and 4. It was also noted that DECC are currently assessing tenders received for work on international comparisons.

Over the coming months there will be continued work – with the next expert workshop scheduled for September and OTCG meetings in September and November. A conclusions report is expected to be published in the winter.

It was noted that the project is progressing well, and is receiving useful input through the OTCG and expert community. The meetings have helped to develop a collective understanding of the key issues. The most valuable inputs are expected to be received from this point onwards, as we start to consider individual issues in a more detail. We will also need to test the input from our consultants and any evidence presented to Ofgem and DECC by stakeholders.

#### b) DECC Renewables Roadmap

The chair invited Gary Shanahan, DECC, to provide an update on the Renewable Energy Roadmap (the Roadmap). Members were referred to the slides accompanying the meeting.

It was noted that the Roadmap provides an update on progress to reach renewable energy targets and sets out detailed delivery plans. It looks at current and potential technologies to a 2020 timeframe. The Roadmap focuses on eight technologies that are assessed as having the greatest potential to help meet the 2020 target. The focus is on energy, not just electricity. Of these technologies, offshore wind is important for both 2020 and beyond.

The Roadmap undertakes a pipeline analysis for each technology, looking at projects that have been consented as well as potential projects. It also identifies a number of priority actions and the relationship between demand and cost to meet 2020 renewable energy targets.

It was noted that the Roadmap does not specifically look at newer technologies (such as floating wind and larger turbines), as its focus is to 2020.

One member asked about potential interaction of the OTCG with the proposed DECC Offshore Wind Taskforce focusing on reducing the cost of offshore wind energy. DECC will take account of all relevant information on the scope for reduced costs. The outputs of the group may therefore be an input to be considered.

**Action 1: Members to contact Gary Shanahan (Gary.Shanahan@decc.gsi.gov.uk) if they would like more information on the Roadmap or if they would like to feed into the task force looking at reducing costs of offshore wind.**

### **c) Project TransmiT**

The chair invited Colin Green, Ofgem, to provide an update on Project TransmiT.

It was noted that the issues of transmission charging and user commitment are ones that have arisen during the course of the coordination project, with the outcomes of Project TransmiT clearly having implications for our work.

In relation to charging, Ofgem launched a significant code (SCR) review in July, along with a SCR technical experts working group which includes offshore interests.

Ofgem are seeking to consult on a range of options, with the possibility of a modification change in December 2011. Implementation around April 2012 will be challenging and will require close collaboration between industry and Ofgem.

In parallel, work on user commitment is being progressed through CMP192. This is under review with the option to take it through a SCR – however no decision has been made as yet. This work seeks to make user commitment arrangements more straightforward.

### **3. Feedback from the third expert workshop – planning and consenting**

The chair invited Colin Green to provide an overview of the third expert workshop. Members were referred to the information in the slides accompanying the meeting.

It was noted that consenting issues have been consistently raised during the course of the OTCG and expert workshops. Key questions relate to who prepares the needs case, and takes the risk of bringing investment forward in a strategic way. There is also conflict between assessment of cumulative impacts and inability to take a wider strategic view to address this.

Colin Green asked the group whether they considered the planning system to be a barrier to network coordination, and how consenting costs and risks should be allocated.

One member noted that they had been receiving feedback concerning the lack of a clear route for permitting projects that go beyond the immediate need of an individual project. There are question marks over the potential different routes for this in England, Wales and Scotland.

Another member suggested that the questions were too narrow, and could be placed within a broader context of community attitudes, perception of benefits and supply chains.

It was suggested that planning and consenting has the potential to become more of a barrier if there is a 'blueprint' of a coordinated network that is developed – in the sense that it may prevent anything outside such a blueprint going forward. It was noted that the Crown Estate and National Grid presentation on 20 July 2011 flagged that if a plan is (as opposed to a process) developed, then a Strategic Environmental Assessment (SEA) may be required. Concern at uncertainty as to how to transfer or share consents between different parties was reiterated.

#### **4. Work stream 1: approach and emerging themes (TNEI/PPA energy)**

The chair invited Graeme Bathurst, TNEI, to speak on their work from Workstream 1: Asset Delivery. Members were referred to the information in the slides accompanying the meeting. Graeme Bathurst explained the methodology they have adopted to deliver the workstream, which includes analysis to understand the stranded asset risk prior to generation projects coming online. TNEI are keen to understand timing implications, and the point at which final investment decisions on transmission would need to be made. Their analysis is extending to 2030, with a key milestone at 2020. They are particularly interested in the 5 to 10 year timeframe.

TNEI's work is seeking to understand the range of benefits and risks of different grid configuration options under different generation scenarios, and whether there are benefits associated with certain strategic pre-investments.

TNEI highlighted some of the key messages from their work so far, including that 'good' network design is sensitive to assumptions about onshore network development. Also important are generation development assumptions, with a suggestion that stranding risk is higher if delivery rates are slower.

OTCG members were invited to comment on the presentation, and in particular, were asked three questions:

1. What does the group see as the most significant delivery challenges?
2. What are the most important coordination issues?
3. Is transmission technology viewed as a development risk?

Responses included the following questions and comments:

- In terms of delivery challenges, one member suggested that there may be supply chain shortages for cables, which could be alleviated if cable factories are built. Supply of offshore substations should be sufficient. It would also be helpful if offshore transmission asset manufacturers coalesced around assets of a similar size and specification to enable a mix and match approach. With regard to coordinated grid offers, some participants thought these cannot be accepted at present because of user commitment and transmission charges, unavailability of project finance for oversized assets, and

regulatory uncertainty regarding coordination. The key issue from a developer's perspective will be to ensure that existing projects are not delayed.

- A member noted that generation blocks within a zone are tending to be owned by special purpose vehicles, and so are treated as separate projects which have implications for charging, user commitment and financing. Most developers are looking at minimum block sizes of 300 to 600MW. If farms were built out in 500MW blocks with the use of 2GW cables, then it would not be until the fifth project that single fault and stranding risks would be reduced. The Crown Estate noted that they have been doing some work on standard block/module sizes. .
- There was some discussion on the treatment of interconnection in TNEI's work. TNEI noted that they are treating interconnection as another source of power, and will test the results with interconnection, which will influence the final design. However there are different drivers for international links and these are not seen to be the nub of the coordination work. TNEI stressed that they will look at the value of integration, but not at what should be built. It was suggested that their work needs to incorporate interconnection options, and be robust enough to take account of a range of future developments and scenarios to ensure relevance and longevity of their work.
- Round three developers are putting in their consent applications around this time, so this work is relevant to decisions being made now about building in coordination.
- On the third question, NGET expressed the view that significant technical / development risk could only be accommodated through balance sheet financing, rather than through project finance. Several members expressed a contrary view that such risks could be accommodated by project finance, providing the project was appropriately structured and the manufacturers provided suitable warranty and contractual terms.

## **5. Feedback from the fourth expert workshop –emerging regulatory options (Redpoint)**

The chair invited Ilesh Patel, Redpoint, to give a brief summary of the fourth expert workshop held on 21 July. Members were referred to the information in the slides accompanying the meeting. Ilesh Patel noted that the workshop had looked at the issues and evidence of 'is there a problem', and that there was general agreement on the problem statement. The workshop had also discussed criteria against which to assess potential options to ensure they are fit for purpose, with feedback that the criteria should be measurable. There was some initial comment on the range of potential solutions offered to address the potential problems.

OTCG members were invited to provide initial views on whether the appropriate issues had been covered, whether they believed the assessment criteria were appropriate, and whether they thought the potential solutions were, in general, appropriate. General feedback was that the potential problem-potential solution framework was very useful in moving forward in assessing options in more detail. It also helped to provide context for the discussion on what solutions might be appropriate for the potential problems that have been discussed to date.

A member suggested that the initial assessment criteria should take greater account of how projects and developers will be affected. The potential solutions could also include current proposals, such as proposed licensing changes by National Grid.

## **6. Next steps**

The chair noted next steps for the project, including timing of inputs from Ofgem's consultants, and the desire to engage with stakeholders over August and September, including through bilateral meetings to test remaining issues as DECC and Ofgem move towards developing a conclusions report.

One member suggested that it could be useful for the group to summarise its progress to date and future intentions.

It would also be useful to start looking at the challenges for specific projects with a view to removing as much uncertainty for developers as possible, in particular whether an initial assessment can be made as to whether additional measures for coordination are needed at all. Members are invited to provide DECC and Ofgem and its consultants with information that would assist this process.

**Action 2: Ofgem and DECC to consider summarising progress made by the Group and future directions.**

**Action 3: Ofgem and DECC to meet with Group members over the coming months to test potential measures and initial conclusions.**

**Action 4: Group members are invited to provide Ofgem and DECC with any further information relevant to consideration of potential co-ordination problems and solutions for specific projects.**