

Our date
2012-02-17

Our reference
AU-MPR RE-00044

Administrative officer
Øyvind Bergvoll

Your date

Your reference
178/11

1 of 2

Ofgem, Offshore Enduring
Attn.: Giedre Kaminskaite-Salters
9 Millbank
SW1P 3GE London
United Kingdom

By e-mail to offshore.enduring@ofgem.gov.uk

Dear Giedre,

Consultation on tender exercises under the enduring regime

Statoil welcomes the opportunity to give our contribution to Ofgem's consultation on the tender exercises under the enduring regime. As part owner and operator Statoil is currently constructing the Sheringham Shoal offshore wind farm. Statoil is also a member of the Forewind consortium developing the Dogger Bank zone, the largest of The Crown Estate's round 3 leases.

First we would like to commend Ofgem on the consultation document which gives a good description of the OFTO build concept. A well functional OFTO regime is vital to deliver UK's ambitious goals on offshore wind generation. We fully support Ofgem's work on making the OFTO regime workable. It is important that Ofgem take advantage of the experiences made by OFTOs and developers as well as its own experiences during the transitional tenders.

We are concerned that the consultation document does not give any guidance on how the OFTO regime is intended to work in a situation where a wind farm developer request multiple connections delivered over a period of several years. This issue will be further exaggerated where interconnectors between different development zones or anticipatory investments are required. We understand that Ofgem intend to include these important issues in the upcoming consultation on coordinated network development and look forward to understand Ofgem's position on this.

Statoil is of the opinion that until the OFTO regime has matured and proven its workability and its ability to deliver results, the Generator build model will be the preferred model amongst developers. The OFTO build model still has many uncertainties and risks associated to it; uncertainties and risks that can only be reduced as more experience with the OFTO regime is gained.

Transmission connections to offshore wind farms are costly and technical complex to design and build. So far developers have designed the wind farm and the transmission assets as an integrated development. The inherent alignment of interests in the transitional regime which is similar to the Generator build model in the enduring regime has ensured that the design has been overall cost effective. This alignment of interest has also been highlighted by lenders to the OFTOs in the transitional round, as a key factor for why investing in OFTOs is attractive and looked upon as a relatively low risk investment. The OFTO build model will de-link this alignment between the developer of the wind farm and the developer of the transmission assets. This could potentially increase financial cost to both sides. Going forward further analysis into this should be made.

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2 of 2

To minimise risk and cost to developers as well as consumers it is important that the enduring regime:

- Deliver timely and economical efficient transmission connections to offshore wind farms.
- Enable efficient design, construction and operation of the transmission assets by maximise the value of not only the transmission assets but also the generation assets.
- Enable staged and phased developments, and in the future also a coordinated offshore grid.
- Provide a predictable and transparent framework for Ofgem's cost assessment.

Statoil support the conclusions and answers in RenewableUK's consultation response and we would like to refer to it for further information.

Kind regards
Statoil ASA

for 
David William Nunn
DWN@Statoil.com