

# Offshore Transmission

Issue Two  
June 2012

## In this issue...

Stakeholders' insights included in  
new consultation document

Offshore Transmission projects map



**Robert Hull**  
Ofgem E-Serve Managing  
Director - Commercial

## Stakeholders' insights included in new consultation document

### Building on our successes throughout 2012

As our journey through 2012 moves on swiftly, the pace within the Offshore Transmission market similarly shows no signs of slowing down. We have several milestones and challenges to look forward to in 2012, building on achievements to date.

The publication of our Joint Conclusions Report in March on the Offshore Coordination Project with the Department of Energy and Climate Change (DECC), and the accompanying Ofgem consultation, brought our analysis of the potential costs, risks and benefits that could arise from the development of a coordinated offshore and onshore electricity transmission network to a close. Throughout 2012 we will look closely at the analysis from the project. We hope your feedback through the consultation on the benefits and challenges relating to this area of work will also help us to work up some solutions to these issues.

We have made important steps forward on the Enduring regime. We have recently published a further consultation document. This summarises responses to that consultation and confirms our final policy positions on certain areas of the Offshore Transmission Owner (OFTO) build and Generator build.

Finally, our work on tenders and transactions continues to progress. We have recently announced the Preferred Bidder for Lincs. We also expect to grant a licence to Ormonde in July, which will take investment for Transitional Round 1 to £350 million. We aim to grant licences for the remaining Transitional Round 1 projects, and to select preferred bidders and grant licences for some Transitional Round 2 projects, during 2012.

Following the December 2011 consultation on tender exercises under the enduring regime, the team has recently published a new consultation document. It sets out our minded-to positions in relation to a number of areas for both Generator and OFTO build models. It also seeks further views in relation to a number of areas not covered in the previous consultation (including the incentives regime). Finally, it sets out high level principles for treating phased and staged projects and highlights areas for future policy work in this regard.

We have also carried out extensive engagement with the stakeholder community through several industry events. On 9 February, over 100 delegates attended our stakeholder event at the BIS conference centre.

Representatives from Transmission Capital Partners, Lloyds Bank, Eneco, Technip and ABB presented at the event. A second event on the 3 April was facilitated by the team's technical advisers, Arup, and covered a range of topics that have been included in the consultation. These include supply chain, tender stages and timings, risk allocation and phased projects. The workshop attracted active participation from over 60 delegates.



## Upcoming stakeholder events

Event	Date & Venue	Contact
<b>Workshop: 'Enduring regime'</b> The topics covered by the workshop will include tender specification, consents, phased projects and an availability incentive	<b>Monday 9 July 2012</b> <b>9.00am-1.30pm</b> Arup, 8 Fitzroy Street, London, W1T 4BQ	<b>To register your interest:</b> <a href="mailto:offshore.enduring@ofgem.gov.uk">offshore.enduring@ofgem.gov.uk</a>
<b>Briefing session: 'Generator Build Commissioning and the Energy Bill'</b> A session to seek feedback on an Energy Bill measure to address generator developers commissioning transmission assets	<b>Tuesday 10 July 2012</b> <b>10.30am-12.30pm</b> BIS Conference Centre, 1 Victoria Street, London, SW1H 0ET	<b>To register your interest:</b> <a href="mailto:kristina.dahlstrom@decc.gsi.gov.uk">kristina.dahlstrom@decc.gsi.gov.uk</a> by 28 June

## Coordination Project

### Joint Conclusions Report and consultation published



In March 2012 we published a consultation on potential changes to the offshore regulatory framework to support efficient network coordination. This invited views on:

- anticipatory investment (AI), supporting the development of an efficient offshore network for consumers whilst providing project developers with reassurance on their ability to recoup economic costs for some types of anticipatory infrastructure; and
- Potential improvements to the offshore network planning process, including the Offshore Development Information Statement (ODIS), a key planning document that provides developers with a long-term view of offshore network planning.

A joint DECC/Ofgem offshore transmission coordination Project Conclusions Report was published alongside the consultation document. This described six key barriers to coordination, as identified by stakeholders through the Offshore Transmission Coordination Group, and set out high level proposals for how these may be dealt with.

We look forward to these measures being delivered through changes to the existing offshore transmission regulatory regime, whilst maintaining the benefits of regulated competition.

The results of the project will continue to feed into Ofgem's ongoing development of the enduring offshore regime. The joint Project Conclusions Report and Ofgem's consultation, which has now closed, can be found at [www.ofgem.gov.uk/offshore](http://www.ofgem.gov.uk/offshore).

## New certification requirement for OFTOs in force from March 2012

The Government has now implemented the EU Third Energy Package into GB legislation through the Electricity and Gas (Internal Markets) Regulations 2011 (the 'Regulations').

The measures of the Third Package aim to ensure that the benefits of a competitive energy market can be realised. A key requirement of the Third Package is 'ownership unbundling'. This is the separation of transmission interests (ownership and operation of transmission systems) from gas and electricity generation, production and supply activities.

Under the Regulations, Offshore Transmission Owner (OFTO) licensees need to be certified by the Authority as complying with the ownership unbundling requirements of the Third Package by 3 March 2012. The Regulations provide for an extension to the deadline under certain conditions, on a case-by-case basis.

We have published an open letter (available at [www.ofgem.gov.uk/offshore](http://www.ofgem.gov.uk/offshore)) and have met with a range of stakeholders to explain the unbundling requirement and the certification process. We have had active discussions with current OFTOs and potential licensees to prepare them for the application process. We encourage potential OFTO licensees to be aware of the time required for applying for certification (up to ten months from the date of submitting a complete application).

## Preferred Bidder appointed for Lincs

On 9 May Ofgem appointed Transmission Capital Partners (TCP), a consortium comprising of Transmission Capital Partners LP and International Public Partnerships, as the preferred bidder to own and operate the high voltage transmission assets for the Lincs offshore wind farm. This is the second largest offshore transmission project to have reached this stage, with assets estimated at £282 million.

## Integrated Transmission Planning and Regulation (ITPR) project

A new project has been set up to consider what is needed with respect to system planning to deliver the future integrated transmission system onshore, offshore and cross-border. It will review how the relevant institutions and the incentives around them should evolve to support this new activity. The ITPR project will also consider how the onshore, offshore and interconnector regulatory regimes interact to deliver multiple-purpose transmission projects that could be a feature of the future energy system.

A workshop was held on 16 May for stakeholders to provide initial views on the project, highlight areas that may require further consideration and to provide information on the current transmission planning arrangements. This interactive workshop included input from Ofgem, National Grid and DECC.

If you would like further information about the ITPR project, please see our open letter, published at [www.ofgem.gov.uk/offshore](http://www.ofgem.gov.uk/offshore)

## Transitional Rounds 1 and 2 - Progress Update

Project name and size	Transmission construction progress	Bid status	Key
1. Robin Rigg East and West (180MW)	Fully complete	Financial close and licence granted (2 March 2011)	Transitional Round 1
2. Gunfleet Sands 1 & 2 (173MW)	Fully complete	Financial close and licence granted (19 July 2011)	Transitional Round 1
3. Barrow (90MW)	Fully complete	Financial close and licence granted (27 September 2011)	Transitional Round 1
4. Walney 1 (184MW)	Fully complete	Financial close and licence granted (21 October 2011)	Transitional Round 1
5. Walney 2 (184MW)	Fully complete	Preferred Bidder appointed	Transitional Round 1
6. Sheringham Shoal (315MW)	In progress	Preferred bidder appointed	Transitional Round 1
7. Ormonde (150MW)	Fully complete	Final licence consultation – licence grant expected in July 2012	Transitional Round 1
8. Thanet (300MW)	Partially complete	Preferred Bidder appointed	Transitional Round 1
9. Greater Gabbard (504MW)	In progress	Preferred Bidder appointed	Transitional Round 1
10. Lincs (250MW)	In progress	Preferred Bidder appointed	Transitional Round 1
11. London Array (630MW)	In progress	Invitation to Tender stage completed	Transitional Round 2
12. Gwynt y Môr (576MW)	In progress	Qualification to Tender stage completed	Transitional Round 2
13. West of Duddon Sands (389MW)	In progress	Pre-Tender	Transitional Round 2

## Current and potential Offshore Transmission projects map

The map outlines the projects that have been, or will be, tendered under Transitional Round 1 and Transitional Round 2. It also outlines the potential projects that could be tendered under the Enduring regime.

For both Transitional and Enduring projects, bidders will be invited to tender for an offshore transmission licence with a 20-year revenue stream. Those that are successful will be required to meet the obligations of the licence and will be subject to performance incentives.

- |                                  |                               |   |
|----------------------------------|-------------------------------|---|
| 1 Robin Rigg (180MW)             | 13 Humber Gateway (230MW)     | 25 Navitus Bay (1200MW)                         |
| 2 Gunfleet Sands 1 and 2 (173MW) | 14 Race Bank (600MW)          | 26 Atlantic Array (1390MW - tbc)                |
| 3 Barrow (90MW)                  | 15 Walney extension (752MW)   | 27 Celtic Array (4200MW - tbc)                  |
| 4 Walney 1 and 2* (368MW)        | 16 Docking Shoal (500MW)      | 28 Islay (690MW - tbc)                          |
| 5 Sheringham Shoal (315MW)       | 17 Westernmost Rough (175MW)  | 29 Argyll Array (1000MW)                        |
| 6 Ormonde (150MW)                | 18 Triton Knoll (1200MW)      | 30 Beatrice (1000MW)                            |
| 7 Thanet (300MW)                 | 19 Moray Firth (1500MW)       | 31 Inch Cape (1050MW)                           |
| 8 Greater Gabbard (504MW)        | 20 Firth of Forth (3690MW)    | 32 Neart na Gaoithe (450MW)                     |
| 9 Lincs (250MW)                  | 21 Dogger Bank (9000MW - tbc) | 33 Burbo Bank Extension (234MW)                 |
| 10 London Array Phase 1 (630MW)  | 22 Hornsea (4000MW)           | 34 Galloper (Greater Gabbard Extension) (500MW) |
| 11 Gwynt y Môr (576MW)           | 23 East Anglia (7200MW)       | 35 London Array 2 (277MW)                       |
| 12 West of Duddon Sands (389MW)  | 24 Rampion (664MW)            |   |

\* Walney 1 and 2 are being tendered as two separate projects under Transitional Round 1. Each project is 184MW.  
Source: Figures sourced from Crown Estate, National Grid and developer websites

