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24 May 2012

Dear Martin,

### **Planning for an integrated electricity transmission system – ESBI response**

ESB International (ESBI) welcomes the opportunity to comment on Ofgem's open letter on integrated transmission system planning. With interests on both side of the Irish Sea, ESBI is committed to the development of the All-Islands Market, and welcomes consideration given to increasing interconnection and better coordinating it with offshore transmission.

### **ESB International**

ESB International (ESBI) brings together our worldwide generation, engineering and related services businesses.

ESBI has been a developer and operator of independent Combined Cycle Gas Turbine (CCGT) generation projects in the GB market for almost 20 years. We own, operate and trade Corby power station and developed the 850MW plant at Marchwood, which was commissioned late in 2009. We are also at an advanced stage with our latest 860MW development at Carrington which is intended to become operational early in 2015. Additionally, we own and operate the 406MW Coolkeeragh plant in Northern Ireland. We are developing further large-scale CCGT projects at other locations across GB.

In addition to increasing our conventional generation fleet, we continue to grow our position in the UK wind market. Our operational and development portfolio will be around 165MW, comprising of: the 24MW West Durham Wind Farm in Northern England; the 20MW Hunters Hill; and 15MW Crockagarron projects

ESBI Investments is a trading name of ESB International Investments Limited.

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in Northern Ireland. Additionally, we recently completed commissioning of England's largest onshore wind farm, at 66MW, at Fullabrook in Devon and we have recently started construction of our 38MW Mynydd y Betws Wind Farm in South Wales. We are also active in the ocean energy sector.

With increases in physical interconnection, in particular the commissioning of the East-West interconnector later this year, coupled with the further development of the regional market, our operations in Ireland will become increasingly linked with the GB market.

### **Summary of views**

As a company with an interest in greater market integration and moves towards the creation of an All-Islands Market, ESBI supports Ofgem's intentions with the Integrated Transmission Planning and Regulation (ITPR) project. It is not only timely, in the case of the European Commission's aim to create an internal electricity market across all Member States by 2014, to look at this issue now, but also pragmatic. We especially support the consideration of multi-purpose cross-border projects.

However, whilst supporting the holistic view Ofgem intends to take, any changes to the planning and regulatory regimes must ensure efficient investment and operational decisions are made and that costs are appropriately recovered from users across borders. The development, and use, of onshore systems should not be unduly affected by requirements of offshore and interconnector parties. One way of achieving this is to ensure that costs are efficiently apportioned between jurisdictions and network users. We are of the view that system planning and charging arrangements should not be looked at in isolation.

European legislation coming from the Third Package is currently giving TSOs significantly greater influence over the structure of the market than they have had in the past. This, combined with the additional roles that National Grid, as NETSO, will have under the Electricity Market Reform (EMR) proposals, makes it desirable that the separation of the market and system functions is strengthened.

With few merchant interconnectors in the continental model, and interconnectors being classed as TSOs by the Third Package, we would like Ofgem to state that, for the purposes of ITPR, there will be no discrimination between interconnector plans put forward by private companies, and those from TSOs. In

terms of ENTSO-E membership for the various system operators, it seems sensible that the current arrangements should continue, with perhaps an additional obligation on the full ENTSO-E members to share information and consult with the system-operating non-members.

To ensure that the outcomes of the project are enduring, it is necessary that current and upcoming projects at both the domestic and European levels are assessed and considered. This is particularly relevant as regards neighbouring member states – for example the Irish Single Electricity Market (SEM) Committee recently consulted industry on the implementation of the Electricity Target Model. It would be beneficial if the links between consultations – particularly those related to outcomes of the joint DECC-Ofgem Offshore Transmission Coordination Project (OTCP) – could be made explicit to stakeholders.

In conclusion, ESBI is broadly supportive of the aims and scope of the ITPR project, subject to the concerns summarised above, and we look forward to the outcomes of the project in summer 2012.

## **Responses to questions**

### **1. Are the objectives and scope of work for the ITPR project appropriate?**

As the European single market develops from the Third Package, and with the envisaged changes to the British electricity market through EMR, it is right for Ofgem to be considering transmission, offshore and interconnection issues holistically.

### **2. Are there additional drivers for the project that should be considered?**

The letter mentions that European legislation will be borne in mind throughout the project. This is extremely important, particularly as regards the System Operation Network Codes currently being drafted. Equal consideration should also be given to the market-based Capacity Allocation and Congestion Management Network Code.

### **3. Is there additional evidence Ofgem could consider in understanding the current and future challenges?**

It would perhaps be appropriate for Ofgem to liaise on this project with neighbouring regulators with the aim of scoping mutually agreed or, at least, compatible principles of transmission planning and areas for discussion, rather than solely studying other arrangements.

The possible outcomes of Project TransmiT, should also be considered as the ITPR project progresses.

We would urge Ofgem to consider the ongoing work under the "All Islands Approach" and the consultation in Ireland on the implementation of the Target Model. Both of these initiatives have elements of common purpose in terms of market integration which would highlight specific system planning issues for consideration.

**4. Are the current interactions between the NETSO's role and the role of other TSOs in system planning consistent and efficient?**

The separation between the NETSO and the other SOs in the system has, to this point, worked fairly well. However, with a more holistic view over system planning there may be value in a more formalised coordination process, with involvement also from market participants.

**5. Do the arrangements for and relationship between the NETSO and other TSOs (for example, interconnector owners) appropriately incentivise system planning?**

ESBI has no comment at this time.

Should you have any queries regarding the responses in this letter, or wish to discuss anything further, please do contact me at the address below.

Yours sincerely,

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Regulatory Analyst



**International**  
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