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Ofgem
9 Millbank
London SW1P 3GE

FAO: Martin Crouch,
Director, Offshore Transmission

Initially by email
Offshore.Coordination@ofgem.gov.uk

Dear Sir

Offshore Electricity Transmission: Updated proposals for the enduring regime

Balfour Beatty is pleased to respond to the Ofgem Open letter dated 26 July 2012, and in particular to the Authority's request for the views of stakeholders on four questions related to Investment Category 3. Investment category 3 is described as "Wider network benefits not taken forward by a Developer" which is of particular relevance to the OFTOs.

In answering the questions, we have assumed that the process of development has the following steps:

- a) NETSO or NGET have an initial proposal for a new transmission asset as a result of NGET's obligation to ensure the network is and remains fit for purpose, or as a result of operational issues noted by NETSO. (N.B. Another TO or OFTO can propose a new link, but the assumption is that the initial evaluation will always be done by NGET and NETSO)
- b) NGET and NETSO agree on basic parameters for the new link, i.e. connection sites, capacity and technology (DC or AC)
- c) A TO submits proposals to get funding for the identification and delivery of pre-construction works
- d) Ofgem tender process begins at a suitable time
- e) Tender process will identify an OFTO to construct and own the assets



Our responses to the four questions is a shown below.

- 1) *Whether the NETSO could have a role in identifying and undertaking the pre-construction works, instead of or in addition to TOs having such a role*

We agree that NETSO has a key role, along with NGET and the other TOs in the identification of viable new transmission links, up to the point where connection sites, capacity and technology (AC or DC) is established. NETSO, as System Operator, is not set up for the next stage, which is the identification of pre-construction works and the delivery of those works. The TOs (NGET, SHETL and SPT) do have that capability.

- 2) *The process for proposals for this type of work to be put forward by third parties, including any need for consultation/publication to ensure interested parties are adequately engaged in the process*

We expect that the long term planning process, as summarised in the Seven Year Statement (SYS) and Offshore Development Information Statement (ODIS) and their successors, would provide early visibility of the development of the concept up to the establishment of connection sites, capacity and technology (AC or DC).

Thereafter, we would expect to be informed about the application for funding and kept up to date with details of the proposed programme of work.

- 3) *What outputs would be required from a third party's pre construction activities on this type of asset, such as necessary surveys, wayleaves , consents and a tender specification*

We would expect the outputs to be very similar to those required for the OFTO build process. We would need all necessary surveys, wayleaves, consents and connection agreement(s). A specification would be required that gave a clear identification of the nature of interfaces (eg Protection requirements, control requirements and isolation requirements) but which was flexible enough to allow variations in the design solution.

- 4) *What further obligations might be necessary to ensure a fair and competitive tender, such as:*

- *Any requirement for business separation between the third party and a related organisation intending to participate in a competitive tender process*

We recognise the potential conflict arising as a result of an entity undertaking the preconstruction works and that same entity bidding for the construction of the transmission assets. However we believe that such conflicts can be addressed by proper business separation requirements including separate teams. This is similar to the separation requirements required for Generators under Generator build arrangements.

- *The need for certain assets to be transferred across from the third party to the successful bidder*

As the successful bidder, we would expect to acquire all the detailed information relating to ground data, surveys, consents and the full details of every stage of design (e.g. concept design, system design) undertaken to the point of transfer. Assets

might well include land and electrical equipment at connection sites to the extent that they are covered by the connection agreements and consents.

We hope that you find these specific comments helpful.

In relation to other items in the Open Letter, we understand the conclusions that Ofgem have reached and look forward to working with you in the future to help develop the offshore transmission regime.

Yours faithfully



SP

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