



Blue Transmission Investments Limited
The American Barns
Banbury Road
Lighthorne
Warwickshire
CV35 0AE

20 September 2012

Martin Crouch
Director, Offshore Transmission
Ofgem
9 Millbank
London SW1P 3GE

Dear Martin,

Open Letter: Offshore Transmission – update on Coordination policy developments

We would like to thank you for providing us with the opportunity to respond to your open letter on Coordination Policy Developments for Offshore Transmission.

This response has been drafted in cooperation with Blue Transmission's partners, Frontier Power Limited, Barclays Infrastructure Funds Management Limited, Mitsubishi Corporation and Macquarie Capital Group Limited.

Our response is only in relation to your request for views on the issues you highlighted for Investment Category 3 – Wider network benefits investment not taken forward by a developer. This letter expands upon some of the points that we made in our response to chapter 5 of the most recent Ofgem consultation on the enduring regime.

- Whether the NETSO could have a role in identifying and undertaking the preconstruction works, instead of or in addition to TOs having such a role.

Blue Transmission's view:

We accept that the NETSO could have a role in identifying "pre-construction" work but our view is that the NETSO's role should be limited to network planning & design activity rather than pre-construction work such as preparation of planning consent applications, environmental impact assessments, seabed surveys etc, which are within a TO's scope of activities and capabilities.

- 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.

Blue Transmission's view:

There should be a clear process that is regulated under the offshore transmission enduring regime rather than the onshore transmission regulations. As an interested party as an OFTO bidder, we would expect to have the opportunity to respond to consultations/publications regarding such proposals. We would also expect the outcome of any studies undertaken as part of these activities to be made publicly available to interested parties such as OFTO bidders

- What outputs might 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.

Blue Transmission's view:

The outputs from a third party's pre-construction activities should be no different to the outputs required from an offshore generator's pre-construction activities under the "OFTO build" option in the enduring regime.

- 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.

Blue Transmission's view:

Where NETSO is the party undertaking pre-construction works, it is our view that the business separation conditions within National Grid's transmission licence must be strengthened to ensure that there cannot be any knowledge transfer between NGET and any bidding group that includes a subsidiary of National Grid such as National Grid Offshore Limited. The current conditions do not place any absolute time restrictions on "revolving door" transfer of staff between NGET and National Grid Offshore Limited (NGOL), which is a weakness in the business separation conditions that we think Ofgem should address to assure other OFTO bidders that NGOL is not able to achieve any competitive advantage through knowledge transfer. We note that DIRECTIVE 2009/72/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 JULY 2009 CONCERNING COMMON RULES FOR THE INTERNAL MARKET IN ELECTRICITY AND REPEALING DIRECTIVE 2003/54/EC contains a restriction of four years in paragraph 7 of Article 19 for transfer of people from the transmission system operator part of a "vertically integrated" undertaking to another part of a "vertically integrated" undertaking. We understand that the fundamental intent in this is that there is a four year "cooling-off" period when a person moves from the TSO into a competitive part of the business. Whilst the circumstances here are not exactly the same we believe that a fixed "cooling-off" period should be applied to transfers between NGET and NGOL.

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

Blue Transmission's view:

The assets to be transferred across from the third party to the successful bidder in principle should be no different to the assets to be transferred from an offshore generator under the "OFTO build" option in the enduring regime.

We would be delighted to discuss these thoughts further with Ofgem.

Yours faithfully
On behalf of Blue Transmission



Iain Cameron
General Manager