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20th September 2012

Dear Martin,

**Energy Networks Association OFTO Forum –
Response to open letter updating on Coordination policy developments**

Energy Networks Association (ENA) is the industry body for UK electricity and gas distribution and transmission companies.

This response to Ofgem's open letter updating stakeholders on Offshore Transmission Coordination policy developments is submitted by ENA and is in addition to and in support of the individual responses of the members of the ENA's OFTO Forum.

Our primary interest in the issues raised in your open letter relate to the section on *Investment Category 3 – Wider network benefits investment not taken forward by a developer* (pgs 4-5).

Generally speaking we believe that the NETSO should provide and justify the requirements for transmission development, but in a more transparent and granular fashion than is currently the case. Thereafter, based on these requirements and justifications, if not Developers nor OFTOs (via an early OFTO build tender), then Transmission Owners could progress development works that would lead to a late OFTO build tender being viable.

With respect to any offshore network pre-construction activities being taken forward by a third party (be they NETSO or any other party) we would like to see the following principles taken into consideration:

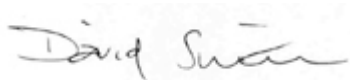
1. Parties undertaking pre-construction activities related to offshore network developments that will ultimately be placed into a competitive OFTO tender process should be able to demonstrate robust business separation with any arms of the same organisation that may be bidding into that tender. It is

important that the ensuing tender process is as fair and competitive as possible and that no party is in an advantaged position at the outset.

2. Where pre-construction activities are funded via a regulatory price control mechanism there should be incentives (or penalties) imposed upon the party conducting the activities to ensure they deliver the necessary information, etc to Ofgem in good time to allow a proper OFTO tender process to be run. In addition, during the pre-construction activities regular updates on progress should be made available to interested stakeholders (e.g. those OFTOs that would bid into the eventual tender process). Essentially the outputs from a third party led process should be the same as that from a generator led process.
3. ENA is of the view that NETSO has the high level design expertise but that the onshore TOs (whether it be NGET, SPT or SHETL) have the development expertise (to the extent that this exists in these companies in relation to offshore transmission assets). By development expertise we are referring to land rights acquisition, engineering and environmental surveys, stakeholder consultation, consents applications etc.
4. There should be visibility as to what anticipatory works are falling into investment categories 1, 2 & 3 (and also those that are just pure generator led), and that investment category 3 works for example are meeting the requirements of generators.

If you have any follow up queries please get in touch with Richard Le Gros, Secretary to the ENA OFTO Forum, on 0207 706 5132 or richard.legros@energynetworks.org.

Regards,



David Smith • Chief Executive, Energy Networks Association