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## Regulation and Policy

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### **Open letter: Offshore Transmission – update on Coordination Policy developments**

Dear Jon,

Thank you for the opportunity to comment on your open letter on coordination policy developments. We welcome Ofgem's updated proposals in a number of areas.

#### **Improvements to the network planning process**

We fully support measures that facilitate the development of an efficient network. NETSO's proposed changes to the existing planning documents need to be carefully managed to ensure a clear delineation between the current system data and contractual background information that National Grid previously provided in the seven year statement and the future scenario analysis previously contained in the ODIS document. The factual system information is an essential part of understanding potential grid opportunities and constraints. It would be useful to have similar information in relation to offshore networks in future.

The Connection Options Infrastructure Note (COIN) process should be expanded to enable engagement with Ofgem as well as National Grid in relation to the design of the transmission infrastructure. This process could also facilitate upfront discussions in relation to the efficiency of proposed designs, including those containing anticipatory investment.

#### **Anticipatory Investment and investment driven by wider network benefits**

We welcome the introduction of different categories of anticipatory investment particularly, the inclusion of anticipatory investment to support more efficient connections for later phases of offshore generation on a specific project. We also welcome guidance on Ofgem's approach in undertaking their assessment of this type of anticipatory investment but we strongly believe that this should be provided in addition to an upfront assessment of costs.

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We believe that it would be very challenging for developers to undertake the construction of any assets driven by wider network benefits and do not consider that this responsibility should fall on individual developers.

Where wider investment is not undertaken by the developer, the regulatory regime needs to ensure that individual developers are not faced with insurmountable upfront risks including grid liabilities. It is unclear to us why National Grid has applied for anticipatory investment as part of the onshore price control. Although we recognise that this type of investment could have an impact on wider system security onshore, National Grid does not currently have the remit to carry out these types of activities offshore. The framework for this type of pre-construction work should be clarified as soon as possible. It is unclear how/if an OFTO could undertake this type of work in a similar way without having access to the detailed requirements of individual developers through the connection offer process or wider system information.

If the NETSO had a role in identifying and undertaking preconstruction works, it would need to ensure that the requirements of individual projects were captured on an ongoing basis as well as the wider system requirements. There would be a number of challenges in relation to how such projects are sanctioned under such a regime, given the loss of control of the progression of works for individual developers. For example, if a party that was subject to a coordinated connection agreement were to cancel its project, wider liability would be secured over smaller amount of TEC and this could expose remaining projects to too much risk.

We continue to be engaged in the various associated projects set out in the open letter and welcome further engagement with Ofgem on all of these issues. Please do not hesitate to contact me in relation to any of the points raised in this response.

Yours sincerely

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