



# SCOTTISHPOWER RENEWABLES

Gareth Atkins  
Offshore Coordination  
Ofgem  
9 Millbank  
London  
SW1P 3GE

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Our ref: 03/01/03/250/10068

**Sent by email only to  
offshore.coordination@ofgem.gov.uk**

Dear Gareth,

## **CONSULTATION ON A PROPOSED FRAMEWORK TO ENABLE COORDINATION OF OFFSHORE TRANSMISSION**

Thank you for the opportunity to respond to the above consultation of 07 December 2012. I am pleased to submit this response on behalf of ScottishPower Renewables (SPR).

SPR are the UK's leading developer and operator of wind generation projects, and we are involved in almost 9GW of offshore wind development and construction projects in the UK. These include the 7200MW East Anglia zone and 1800MW Argyll Array project both of which are under development. In addition we are jointly developing our transitional West of Duddon Sands (WoDS) project, which is due to enter into commercial operation by 2014. Therefore we have excellent first hand experience of the developing OFTO arrangements and a critical interest in ensuring that the offshore transmission coordination arrangements are not only transparent and fair, but are also robust, realistic and reasonable in the market and circumstances in which we operate.

We have attached an Appendix which gives our answers to the questions posed in the consultation. However, there are a number of key points that we would like to highlight, or that may not be covered in the consultation questions, and we have summarised them below.

1. We are **supportive in principle** of the aims of developing arrangements for coordinated and integrated networks and we welcome this latest work to develop the proposals as the potential cost savings to consumers are significant. We believe that in order to maximise the potential cost savings industry should **continue to develop and implement the arrangements urgently** otherwise as more projects pursue point-to-point options the overall scope for coordination will reduce, thus diluting the benefits that might be realised. In addition, all involved **stakeholders require clarity and certainty** on the arrangements as soon as possible, as significant investment decision points approach for many projects;
2. The coordination arrangements should **not disadvantage or adversely impact any generation project** (in terms of cost, risks or programme etc) compared to their position had they proceeded under a point-to-point approach. We believe that this was a fundamental point and commitment made under the OTCP but we have concerns that some elements of the proposed framework could undermine this. In reality, the general expectation of coordination should be reduced capital requirements and TNUoS charges overall and increased levels of operational availability;
3. To avoid creating regulatory and market uncertainty **existing or impending investment plans must be facilitated and supported** in the coordination arrangements;

ScottishPower Renewables  
Tel 0141 614 3075 (direct); 07734 396802 (mobile); Fax number 0141 568 4450  
[www.scottishpowerrenewables.com](http://www.scottishpowerrenewables.com)

4. Developers may be willing to pursue the 'Generator Build' OFTO option to build offshore transmission assets but this is as a result of the likely programme impact of the OFTO build option. The arrangements should reflect this and recognise that **developers may not be willing or able to make investment or undertake construction that is not directly required for their own project**, even with appropriate incentives and protections in place. It should be for **generation developers to choose whether to undertake such investment** (which is not their core business) and it should not be forced on them as this could have adverse impacts on their costs, resources, programmes and business models;
5. Developers should **not be faced with either having to invest in, and undertake, Anticipatory Investment (AI) that delivers wider benefits** as well as their own requirements **or wait for their own works to be delivered along with the WNBI under the OFTO build process**;
6. A generator choosing to undertake any AI with wider benefits should be totally **indemnified for their cost and risk associated with the wider investment** and should be rewarded appropriately. In addition, generators should **not be exposed to, or responsible for, managing the allocation of stranding risk** but instead this should be the responsibility of NGET. To do otherwise will have a potentially significant adverse impact on a generator's cost of capital;
7. Fair, consistent and transparent user commitment and charging arrangements will be key to ensuring the success of the coordination arrangements. Whilst the proposed new User Commitment arrangements (CMP192) should form the basis of this for consistency across the industry, we believe that **uncertainties still remain in the new arrangements** and these should be addressed prior to further development of them for coordinated networks.

We hope you find our comments clear and helpful but we would welcome the opportunity to discuss them more fully with you. If you would like to do so, or if you require any further information from us, please contact me on 0141 614 3075 or at [allan.kelly@scottishpower.com](mailto:allan.kelly@scottishpower.com).

Yours sincerely,



Allan Kelly  
Regulatory Policy Manager  
ScottishPower Renewables

**OFFSHORE ELECTRICITY TRANSMISSION: CONSULTATION ON LICENCE POLICY FOR  
FUTURE TENDERS**

**SCOTTISHPOWER RENEWABLES  
APPENDIX to RESPONSE**

**CHAPTER 2: Overview of our proposed framework for the delivery of coordinated  
offshore transmission assets**

***Q2.1 Do you agree with our high-level framework for the development of coordinated  
offshore transmission assets?***

The high level framework forms a good basis for such development. However, we believe that the arrangements must recognise that generators should not be forced to undertake any anticipatory investment, especially if this is proposed for others' and wider benefit. Therefore we suggest that Category 1 should be sub-divided into (i) GFAI that is for same generator party and (ii) GFAI that is required for multiple generator parties and for the avoidance of doubt it should not be mandatory for the lead generator to have to undertake the latter. The consultation notes that Ofgem does not propose to introduce any restrictions on which assets developers can take forward. This principle should also apply in respect of generators exercising choice in which – if any – assets to take forward and so should not impose on any developer which assets they have to take forward.

Forcing generators to undertake AI that is not required for their own project could have potentially significant adverse impacts on the generator's business model, investor confidence, costs and resources and so must be avoided.

The above points are of relevance to several aspects of the consultation.

***Q2.2 Do you agree with our expectations of how coordination opportunities will be  
identified for parties to progress? Are they consistent with existing roles and  
responsibilities of parties with regards to the development of the network?***

Maximising the potential for realising the benefits of coordination will rely on very early and open engagement by NETSO, TO and generators to identify and agree opportunities and responsibilities as early as possible. In addition, the developer/generator must have early certainty on cost recovery and so we believe that Ofgem has a key part to play in this.

We also believe that this emphasises the need for a Design Authority role, linking onshore and offshore areas of activity, and that NGET are best placed to do this. However, further development work is required on this role as projects are still experiencing practical issues with this type of role and responsibilities. For example, NGET are unable to share full network models with generators under Generator build, which means the generator cannot fulfil obligations or make effective assessments of plant design and procurement.

***Q2.3 Do respondents consider that changes to the CION process are needed, for  
example, should the CION be developed further to support coordination? If so, what  
changes are needed to the process or document? Would an improved CION assist in  
building developers' confidence in accepting coordinated connection offers?***

We have practical experience of the CION process in respect of where this is required for an existing project having opted for Generator build via a Modification Application rather than having selected this option as part of the original grid connection application and agreement and so some of comments may not be relevant.

Our background work feeding in to the CION process, was undertaken over a two year period (initial offshore network conceptual design, economic assessment, constraint mapping, etc) and

the production of the CION documents has taken 3 months to date, and is not yet concluded. Therefore we do not believe it is reasonable or realistic to expect an offshore generator (as the OTSDUW party) to be able to have any worthwhile contribution to the initial CION produced for the first connection offer. In addition, it seems appropriate for the first (ie preliminary) CION produced for the offer, even under Generator build, to be produced by NGET.

However, it should be recognised that it is likely that a generator will still want to make significant changes to the CION following receipt of their initial connection offer.

The CION must be produced within the 3 month offer period in order to comply with NGET's licence and regulatory obligations, which effectively means that it must be produced in an approximate 4 to 8 weeks period. This does not provide sufficient time to allow an assessment of the options for coordination, especially if the generator(s) are involved in the assessment. Therefore, it would appear beneficial to change the process so that coordination is considered in the post-offer review period, where the generator and NGET can allocate sufficient time and resources to discuss and assess the options. If the coordination involves another generator/OTSDUW party then the development of the CION would require input from NGET and all generators/OTSDUW parties. This will require a significant period of time to allow all parties to input and also require generators/OTSDUW parties to share confidential data (eg costs), although the generators/OTSDUW parties may not always be willing, or able, to share this confidential data.

In light of the above, we suggest that Figure 2.3 does not recognise the full complexity of the application, offer and CION process. We also note the interaction of the process with user commitment security requirements and, given the timing of the process and uncertainty in the outcome, we believe that the generator should not have to post security until after the CION process is concluded.

We believe that the CION process would also be improved by industry developing an agreed standard, format and approval process for the document. In addition, we suggest that the Strategic Option Review (SOR) is a more appropriate basis and process on which to assess coordination options as it is not driven in the same way as the CION process is by the connection offer process.

***Q2.4 Are there any barriers to improving the CION, if so, what barriers exist and how could they be addressed?***

As we note above, a significant barrier to improving the CION process is that it does not appear to be standardised and without such standardisation it is difficult to determine how it could be improved. Also, within the time period of the connection application process it is not reasonable or realistic to expect that the CION will be able to address, with sufficient detail, the requirements for AI, whereas the SOR process is more thorough and appropriate. In addition until a generator signs a Generator build offer they cannot act as an OTSDUW party and so it is unclear how this aligns with the CION process and requirements and so should be clarified.

Related to our comment about standardisation, we believe that a further significant barrier to improving the CION is that there is no baseline for offshore costs used in CIONs produced for different projects, as these costs will be provided by each generator/developer whereas onshore costs are obtained from an NGET database. Therefore we believe it will be difficult to demonstrate the benefits of coordination when, for example, the offshore costs obtained from two neighbouring generators/OTSDUW parties will be different and may provide different answers to whether coordination provides cost benefits/savings. In order to be able to address this, a common set of offshore costs would be required and this should be the responsibility of NGET, supported by industry.

***Q2.5 Do respondents anticipate issues with the design or delivery of transmission assets where generation projects are reliant on works to be undertaken by another developer? If so, what would be the appropriate mechanism to address such issues?***

Unfortunately, we anticipate that, regardless of the robustness of the process and arrangements, there will be contractual disputes between parties about delivery, quality, costs, delay, allocation and management of stranding risk etc, particularly if a generator is forced to undertake works that are needed for others' or wider benefit. We believe that these issues will be particularly acute around the allocation and management of stranding risk.

It is difficult to suggest how these issues can be avoided. Two suggested options include (i) that (lead) generators should have the choice of whether to undertake GFAI and Developer-led WNBI and should not be forced to do so and (ii) providing (lead) generators with absolute protection against claims for costs, risk, delay, penalties etc arising from the works required for other than their own projects, including if the AI works impact adversely on their own works.

***Q2.6 To what extent could NETSO intermediation mitigate data confidentiality issues between developers? Are any further measures required?***

Based on our experience to date - where we have experienced delays and issues as a result of confidentiality issues - we believe that the NETSO should have responsibility for carrying out system studies and modelling in order to validate designs and technical requirements of OFTO equipment thus mitigating the impact on the wider network. Alternatively, the NETSO could provide all models and data to the OTSDUW party but to date this has been problematic.

## **CHAPTER 3: Category 1: Generator-Focused Anticipatory Investment**

### ***Q3.1 Do respondents agree with our preferred option, to support the transfer of GFAl assets to the OFTO if security is provided to protect consumers against stranding risk?***

We welcome Ofgem's commitment not to re-open the justification case for GFAl provided adequate security is in place to cover consumers' exposure to development and construction stranding risk.

However, lead generators need similar protection. Unless willingly done so, generators undertaking GFAl with benefits to other generators should not be responsible for, or exposed to, additional security risk over and above that associated with their own project. Instead this should be the responsibility of, and managed by, NGET, with the lead generator being provided with adequate, robust security by NGET, who back this off to the other generators involved.

As noted previously, we have concerns over the robustness of the CMP192 arrangements and believe that these should be subject to further development to ensure they are sufficiently robust to support the coordinated network arrangements.

### ***Q3.2 To what extent do the current user commitment arrangements address the scenarios set out in table 3.1 and paragraph 3.13?***

As noted previously, we believe that the currently proposed User Commitment arrangements (CMP192) need to be reviewed thoroughly to ensure they fully support the coordination arrangements. Also, we believe that the CMP192 arrangements are only of relevance to a generator willingly undertaking anticipatory investment.

### ***Q3.3 Are there any barriers to extending user commitment arrangements to address any gaps identified in question 3.2?***

As noted previously, if the generator undertakes GFAl for others' benefit, the security arrangements need to be comprehensively reviewed and developed to ensure that generator is completely insulated from exposure to additional cost or risk and from responsibility for managing this exposure.

## **CHAPTER 4: Category 2: Developer-Led Wider Network Benefit Investment**

### ***Q4.1 Do you agree that the NETSO should support the needs case for developer led WNBI, drawing on relevant TO(s) as necessary? Do you consider changes to the NETSO licence or industry codes are needed to support this?***

We believe it is essential that the NETSO not only supports, but also leads, any WNBI as it cannot be carried out without their involvement and we should avoid introducing further interfaces in the process.

### ***Q4.2 Are there any specific barriers to the NETSO sharing information required to support the needs case for developer led WNBI with the appropriate developer?***

Our experience to date is that the NETSO's licence and regulatory confidentiality obligations mean they are unable to provide the necessary data and models for the developer/generator to be able to model the system and check the validity of the design. We believe regulatory intervention will be required to resolve this.

In addition, the robustness of existing business separation arrangements within the NETSO organisation needs to be reviewed to ensure it is consistent with the coordination arrangements.

### ***Q4.3 What are your views on the criteria that Ofgem could use when assessing proposals for developer-led WNBI?***

As this could be initiated by the NETSO connection offer, the case for proceeding with developer lead WNBI should, in considering "the timing and scope of the project and its technical readiness" ensure that this reflects the practicalities of a developer having, and being able, to undertake WNBI. Relevant considerations include the project structure, commitments already made, consent strategies, consultations and programmes etc.

### ***Q4.4 Do you agree with our proposal for the timing of the Ofgem assessment gateways to support developer-led WNBI?***

We welcome Ofgem's proposed gateway approach as it will give generators/developers at least some degree of certainty earlier in the process, which is of benefit to generators/developers. However, we suggest that further consideration should be given to trying to provide even more certainty as early as possible in this regard.

### ***Q4.5 Are there some specific types of low regret WNBI that developers may be willing to take forward without a gateway assessment?***

This would depend on the developer being given absolute certainty in respect of cost recovery and liability arising from the work. In addition, we would need to be sure that the work would realise tangible benefits for all involved.

### ***Q4.6 Do you consider that there should be a de minimis threshold for low regret developer-led WNBI? What are your views on how this should work, while ensuring consumers are not exposed to significant stranding risk? Where possible, please provide evidence of the types and costs of WNBI that you consider should be captured by the threshold.***

To aid early certainty, a de minimis threshold seems sensible and if set low enough it should not expose consumers to significant stranding risk in relative terms.

## **CHAPTER 5: Category 3: Non Developer-led Wider Network Benefit Investment**

### ***Q5.1 To what extent do you think it would be appropriate for onshore TOs to take forward preliminary works for non developer-led WNBI?***

We believe that this depends on the onshore TOs' willingness and ability to undertake the works, without compromising their core business obligations.

We also suggest that in certain circumstances the robustness of existing business separation and confidentiality arrangements should be considered in light of this requirement.

### ***Q5.2 What are your views on the criteria that Ofgem could use if assessing proposals at the first gateway for non developer-led WNBI?***

We note Ofgem's proposal in respect of certainty of cost recovery for TOs in these circumstances. If it is possible for Ofgem to give this level of certainty to TOs at this stage, then we suggest it should be possible to give a similar level of certainty to generators undertaking GFAL (or Generator build OFTO works generally).

Also, if there is a potential impact on another party (eg developer, generator, OFTO) that party should be involved in – or at least consulted during - the gateway assessment undertaken.

### ***Q5.3 What are your views on using two gateways for non developer-led wider network benefit investment?***

As this is consistent with other proposals, this seems appropriate.

### ***Q5.4 What additional incentives and requirements should be placed on preliminary works funding for non-developer led wider network benefit investments?***

No comment.

### ***Q5.5 What parties should onshore TOs be expected to engage, and what engagement processes should they follow before and during preliminary works?***

The onshore TOs should be encouraged to engage early and proactively with all affected parties.

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