

Gareth Atkins
Offshore Coordination
9 Millbank,
London SW1P 3GE

1st March 2013

Dear Gareth

Consultation on a proposed framework to enable coordination of offshore transmission

We are pleased to submit our response to the above consultation. Transmission Investment LLP is a major player in UK offshore transmission through its joint venture subsidiaries. Through Transmission Capital Partners we have been awarded four of the six OFTO licences granted to date and are preferred bidder on a fifth. Through other joint ventures we are either co-developing or assisting on the development of several interconnector projects.

As such our response focuses on issues raised in the consultation that are primarily of relevance to offshore transmission owners/bidders and to interconnector developers. We have not responded on those issues that are mostly of relevance to other parties.

We have attached our responses to the specific questions in the attached annex. However, our primary concern as an OFTO bidder is that the arrangements put in place to enable co-ordination do not prevent consumers from gaining the benefits of competition that would otherwise occur through the competitive delivery of offshore transmission. As such it is important that:

- There is adequate business separation between the strategic system designer (NETSO) and the onshore TOs so as to avoid conflicts of interest in system design. Furthermore it should be clear that it is the role of the NETSO (and not the onshore TOs) to make the key design decisions.
- Arrangements for anticipatory investment in pre-construction works do not prejudice a fair competition for the delivery of offshore transmission.

In addition as an interconnector developer we are concerned that:

- Generators should only be allowed to develop and construct assets if express permission has been obtained from all potential system users who may be affected by the progress of these works.

If you have any questions please do not hesitate to contact me.

Yours sincerely



Chris Veal
Managing Partner

Annex 1 – Responses to specific questions

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?

We agree with the high level framework but please see response to question 2.2 below.

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?

Whilst we agree with the consultation that no specific technical boundaries should be drawn between categories 1 “GFA”, 2 “Developer-led WNBI” and 3 “Non developer-led WNBI” we do consider that some specific commercial/contractual principals should be drawn up which make it clear that other potential system users cannot, unless they have given their express permission, be dependent on the performance of generators in carrying out Developer-led WNBI.

We do not consider that there should be any Developer-led WNBI unless the express permission of all potentially affected system users (including those potential users whose projects are still at the development stage but who have connection agreements) has been given. This reflects that the fact that it will almost invariably be unacceptable for a developer to be put in a situation where their ability to connect is dependent on the investment decisions of another developer; the only likely exceptions would be where there some degree of common ownership or control between the developers.

Any connection offer made by NETSO therefore either has to be based on permission for Developer-led-WNBI dependency having been granted by the affected developer at the connection-application stage, or the offer should not be dependent on Developer-led WNBI at all.

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 note that developers are concerned by the lack of a clear, documented CION process, and from our own experience we also have more general concerns that much of the connection and grid design process appears to lack the published processes and public domain information that would be necessary to ensure non-discrimination.

Therefore we support a documented CION process with a higher level of transparency than at present.

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

See above.

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?

Yes we do. In our view assets should only fall into category 2 “Developer-led WNBI” where it is absolutely necessary and there are no third-party developers whose projects will be made dependent on investments by another developer. We have suggested a mechanism that should partially deal with this in our response to question 2.2 above. In general the category Developer-led WNBI should be very limited.

An alternative mechanism to address this concern would be to limit this category to where the works in question are only required for the connection of other generators that are subject to the same Zonal Development Agreement with The Crown Estate.

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

[No response].

CHAPTER 3: Category 1: Generator-Focused Anticipatory Investment

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

We support this option.

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

[No response]

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

[No response]

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?

Please see our response to question 2.2 above.

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?

See above. Clearly there are confidentiality issues here if system designs are being discussed with one generator which have to take into account the needs of other generators or interconnectors.

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

As set out in our response to question 2.2 above, we do not consider that generators should be allowed to develop or construct WNBI unless they have the express permission of all affected users.

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

[No response]

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

We do not believe a definition of *low regret* WNBI is required. If the stranding risk is very low the generator should be able to bear the stranding risk and opt not to go through the gateway.

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.

We do not believe a *de minimis* threshold is required. If the cost is very low the generator should be able to bear the cost risk and opt not to go through the gateway.

Where very small additional expenditures are being incurred that do not provide a wider network benefit immediately, but which would facilitate the OFTO in extending their assets to provide such benefits at some point in the future (for instance extra J-tubes, or space for busbar extensions) there may be some benefit in Ofgem setting out the principles it will apply in judging the cost efficiency of such works when calculating the transfer value. This may make it easier for generators to accept the small cost risk and to opt not to go through the gateway.

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 consider that this is the most sensible option as long it is done with appropriate regulatory oversight to ensure that a fair competition for delivery can be carried out. This means that the preliminary works must be carried out so as not to favour:

- Particular financing solutions;
- Technologies not available to all potential bidders (and if there is a clearly preferred technology this should be made available to all potential bidders);
- Potential bidders through manipulating timescales. (Or even situations where manipulation of timescales allowed the onshore TO to claim that it alone was in a position to undertake construction and ownership of the assets, and that it should be granted the right to own the offshore assets under its onshore TO licence).

This is at least partially reflected in paragraph 5.20 of the consultation document.

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 generally agree with the criteria set out in paragraph 5.14 of the consultation document (perhaps noting that we assume that the stranding risk associated with the preliminary works would be taken account of in the economic assessment).

However, we consider that the decision regarding whether preliminary works should be TO-led or developer-led should be in favour of them being TO-led if there is any risk that potential third-party users might be affected by the progress of the preliminary works, and if those potential system users have not given their express permission to their projects being dependent on the progress of these works.

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

We consider that the number of gateways should depend on the scale and complexity of the preliminary works and their need case. It is usual in large development projects to have specific milestones or decision points when either a large expenditure is required (e.g. on sea-bed surveys) or when the outcome of a high risk issue becomes known (e.g. gaining or refusal of planning consent or land rights). Having two gateways is probably sensible for smaller and less complex projects.

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

Please see our response to question 5.1 above (picked up to some extent in paragraph 5.20 of the consultation document) but in general we agree with the proposals and as paragraph 5.19 notes timing and ongoing stakeholder involvement are key areas.

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

We agree with the set of parties that onshore TOs should engage with as set out in the consultation document.

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