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Response due: 14<sup>th</sup> December 2012

Dear Ian,

**Ofgem – 2<sup>nd</sup> Open Letter - ITPR<sup>1</sup>**  
**Integrated Transmission Planning and Regulation**  
**Request for further views and evidence**  
**RenewableUK response**

## Introduction

We welcome the opportunity to respond to Ofgem's second ITPR letter, and thank Ofgem for your consideration of many of the issues we raised in our first letter.

Our response to your first open letter remains valid and we attach it for reference and request that it is read as an adjunct to this response.

As Ofgem are aware RenewableUK are reviewing the concept of a "Design Authority"<sup>2</sup> and we attach our "Emerging Thinking" document as a contribution to the debate. We request that this document is treated as confidential to Ofgem. We will publish our final paper on the Design Authority in the public domain in the New Year.

We have also made some responses to your questions below. We understand that Ofgem is keen to prioritise the areas it needs to look at. It is difficult to single out individual elements

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<sup>1</sup> <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=117&refer=Networks/Trans/ElecTransPolicy/itpr>

<sup>2</sup> under the auspices of the offshore wind cost reduction task force / offshore wind program board

within the ITPR project in this way, but would suggest that looking at Interconnectors should be high on the list of priorities.

## About Renewable UK

RenewableUK is the trade and professional body for the UK wind and marine renewables industries. Formed in 1978, and with over 660 corporate members, RenewableUK is the leading renewable energy trade association in the UK, representing the large majority of the UK's wind, wave, and tidal energy companies. Our members include supply chain companies both manufacturing and services; renewables developers & generators; and energy companies with renewables' portfolios. The association's response aims to represent wind, wave and tidal industries, aided by the expertise and knowledge of our members.

## Questions

### 1. Do you think that the key issues, as described above, should be considered? What is the materiality of the issues identified?

The issue of transmission connections to neighbouring countries ("interconnection") is possibly the most material of these questions in the long term. This is because of the considerable opportunity to export renewable energy to mainland Europe, given the UK's wind wave and tidal resources. There are concerns about the economic efficiency of installing wind turbines in central Europe when the same turbine could produce about four times the energy if installed in the UK. There are economic benefits for the UK in this approach in terms of inward investment, economic growth and jobs. In addition to the economic benefits, interconnection may reduce some GB transmission reinforcements – and such possibilities need to be studied – suggesting an enhanced role for the NETSO in terms of system planning. Furthermore interconnection can have a role in market coupling which increases competition, reduces costs and aids decarbonisation of electricity, which the Committee on Climate Change has modelled to be the most cost effective first step in decarbonising the economy as a whole.

### 2. Are there any other issues to be considered in this area?

We have requested that information on background harmonics is published in the ETYS – this is still outstanding. There may also be more economically efficient means of dealing with high levels of harmonic pollution, for example by the network operators filtering these harmonics close to source (i.e. in the urban load centres).

We agree that interconnector users should be treated as transmission and therefore should be covered by the STC rather than the Grid Code. There are related issues in terms of network planning (SQSS) and charging.

3. How effective are the current arrangements in representing all GB transmission entities' interests within ENTSO-E?

Engagement with ENTSO-E is an issue for all GB stakeholder not just transmission or interconnection licensees. ENTSO-E's decisions, e.g. with respect to EU Network Codes, have a massive impact on generators, suppliers and customers. The JESG<sup>3</sup> has done a lot to address these shortcomings but it remains an informal body and has no powers to mandate a position for GB representation in ENTSO-E. Even if they are not members of ENTSO-E, both independent OFTOs and non-transmission stakeholders need a reliable form of representation.

4. How material is the impact of these arrangements on representation of the GB transmission system developments in the TYNDP and other related European activities?

Transmission is there to deliver generation to customers and is not a standalone activity. Therefore, the development of any plans need to involve all stakeholders and the TYNDP is no different. NETSO planning could usefully be subject to independent peer review.

5. How effective are the current business separation arrangements the transmission entities are subject to?

We suggest that the rules applied to separation for example between generators and OFTOs, should be no more onerous than those applied to other parties.

There are concerns from some members over business separation between NETSO and the regulated and unregulated transmission activities of National Grid. However, given the amount of change in the industry, our current view is that this should be addressed by improving transparency and business / regulatory separation in National Grid.

6. How material is the impact of the current arrangements on efficient network development?

No comment.

7. Where networks are increasingly integrated, are there other areas where the question of conflicts should be considered

Transmission reinforcements and developments transiting through other Member States need attention.

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<sup>3</sup> Joint European Standing Group

8. Do you agree that these issues associated with multiple purpose projects should be considered? What is the impact of the issues you identify as relevant? In particular how do they affect multiple purpose projects?

Multi purpose projects do need to be considered. Interconnectors between offshore windfarms in neighbouring countries in the North Sea could result in large cost savings to customers compared to shore to shore interconnectors. In our view all these assets (onshore, offshore, interconnectors) are transmission assets so multi-purpose projects are in effect just another kind of transmission project.

9. Do the issues capture all the potential regulatory barriers? Are there any other issues to be considered in this area?

We stated in our previous response that all these assets (onshore offshore, interconnectors) are transmission assets; they may be owned, developed, planned and operated by different parties, however we should move towards a common impact on users for all assets. For example a subsea cable owned by an onshore TO and a subsea cable owned by an OFTO are currently charged to users on a different basis. We are seeking to remove these kind of anomalies.

We request that generation projects in UK or GB waters which are only connected to another country (and not to GB) should also be specifically considered as relevant examples.

Transmission charging for “multi-purpose projects” needs to be considered to ensure a level playing field for GB generators and users vs. those in other EU countries.

A key issue not mentioned is Ofgem’s internal structure which is not necessarily designed to treat all assets (onshore, offshore, interconnectors) as transmission regardless of location, owner, developer operator, planner. Ofgem should consider how it can address this matter.

## Conclusion

We look forward to engaging further with you and your team to progress these matters and discuss our views and ideas in more detail.

Yours sincerely,

A handwritten signature in dark ink, consisting of a long horizontal stroke that curves upwards and then back down to the right, followed by a shorter horizontal stroke below it.

Guy Nicholson; Head of Grid for RenewableUK,

Encs:

- RenewableUK Emerging Thinking on Design Authority 21<sup>st</sup> Nov 2012 (Confidential)
- RenewableUK Response to Ofgem ITPR call for evidence 25<sup>th</sup> May 2012