

What is ITPR?

The Integrated Transmission Planning and Regulation (ITPR) project is looking at Britain's existing arrangements for planning and delivering the onshore, offshore and cross-border electricity transmission networks. This is to ensure they can facilitate coordinated, economic and efficient development of the electricity system in the long term.

Why is it needed?

The transmission system is a network of high voltage power lines that take electricity from where it is produced to where it is used. The overall energy system in GB is facing new challenges from ageing infrastructure and a changing energy mix that includes a higher proportion of intermittent renewable generation. These must be managed while maintaining security of supply, potentially triggering significant investment in the transmission network. Technological developments and innovations also mean that opportunities could arise to coordinate and integrate those investments. ITPR looks at these long term challenges to assess whether the regulatory arrangements that are currently in place are sufficient to ensure that the future electricity transmission system will be planned and developed in a coordinated and efficient way.

We regulate the transmission system in GB to ensure that it performs well and provides value to consumers. We apply separate regulatory regimes to investment in transmission assets (e.g. power lines and substations) depending on whether they form part of the onshore network, connect offshore wind farms, or connect to another country. These regimes have delivered considerable levels of investment at a fair cost to consumers. However, given the increasing scale and technical complexity of the network, it is the right time to consider whether the current arrangements will continue to provide the right framework over the longer term.

What are the issues?

- No party currently has responsibility for taking an overarching view of system development, leading to a risk that opportunities for coordination are not recognised or acted upon.
- We currently use competitive tendering to select offshore transmission owners, but there are opportunities to extend the use of competition where it is beneficial for consumers.
- A regulatory framework is needed to enable investment in interconnection in the longer-term.
- Greater clarity is needed on the regulation of complex, multiple purpose projects (MPPs).
- A clear regulatory approach is needed for direct connections to generators based outside GB.
- There is potential for real or perceived conflicts of interest between parties undertaking transmission planning and delivery.

The System Operator manages the day to day operation of the energy system. This is part of National Grid's role.

Transmission Owners own the transmission system in the area they operate and are responsible for its long-term development.

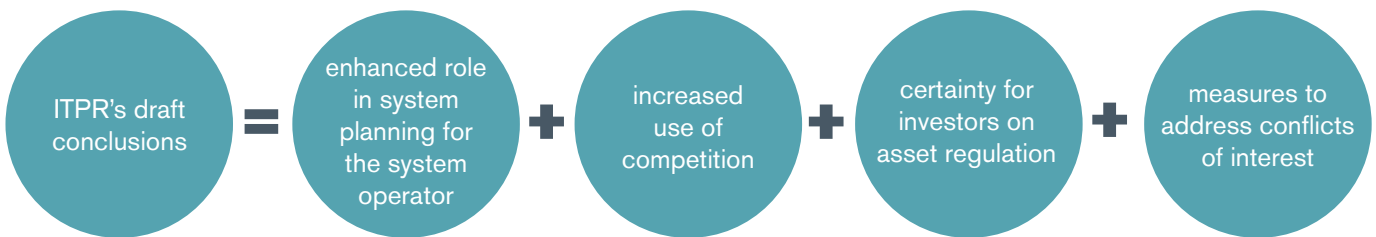
Our draft conclusions

Our draft conclusions build on the emerging thinking that we published in June 2013, and apply to two key areas: how the system is planned, and how assets are delivered. We propose that:

- The role of the System Operator (SO) should be enhanced so that it has a greater role in **system planning**. This would include both transmission and interconnector investment. The SO should be given additional responsibilities to identify system needs and coordinate and develop options to meet those needs.
- **Competition** is currently used to select offshore transmission owners, and should also be used to deliver onshore projects that are new, high-value and can be easily identified as discrete construction projects with a

low number of interfaces with the rest of the network. We believe that extending the use of competition will have benefits for consumers.

- The developer-led approach to **interconnection** should be maintained, and we should extend the cap and floor regime as long as efficient investment is enabled by this approach.
- The default position for connections from **non-GB** generators to the GB network should be that generators pay for these connections, without consumer underwriting.
- Assets should have continuity in regulatory approach wherever possible, even if they become part of an **MPP** over time. This means that developers of **MPPs** will have the necessary certainty to invest in flexible, coordinated network solutions.
- Measures should be taken to mitigate any **conflicts of interest** arising from these changes. These include increased transparency, scrutiny and business separation.



Timetable

Stages 1 and 2 February 2012- June 2013	Stage 3 June 2013-September 2014	Stage 4 October 2014 - Spring 2015	Implementation From Spring 2015
Identification and analysis of issues <i>Publication of two open letters and a consultation on emerging thinking</i>	Review of stakeholder feedback and assessment of options <i>Consultation on draft conclusions and impact assessment</i>	Finalisation of project conclusions and impact assessment	Implementation of measures, including licence changes and development of the framework for use of competition onshore

How to get involved and find more information

Contact the team via ITPRMailbox@ofgem.gov.uk if you'd like to find out more.