

24 February 2014

Catherine McArthur
c/o Offshore.Enduring@ofgem.gov.uk
Enduring Regime Implementation
Ofgem
9 Millbank
London
SW1P 3GE

Dear Catherine

Energy Networks Association OFTO Forum – Response to consultation on implementation of the Generator Commissioning Clause in the Energy Act 2013

Energy Networks Association (ENA) is the industry body for UK electricity and gas distribution and transmission companies.

This response to Ofgem's consultation on implementation of the Generator Commissioning Clause in the Energy Act 2014 is submitted by ENA and is in addition to and in support of the individual responses of the members of the ENA's OFTO Forum.

Generally ENA is supportive of Ofgem's proposals and minded-to positions expressed within the consultation document. Some of the OFTO Forum members feel that their experience to date shows that even with complex technical failures and issues asset transfer within 18 months should always be achievable - given suitable commercial arrangements between the generator and OFTO. However, some OFTO Forum members remain concerned about the construction risk that OFTOs may remain exposed to and would like to see further detail of protections for the OFTO from Ofgem.

If you have any follow up queries please get in touch with Richard Le Gros, Secretary to the OFTO Forum at ENA, on 0207 706 5132 or richard.legros@energynetworks.org.

Yours sincerely



David Smith
Chief Executive

Appendix 1 – ENA OFTO Forum response to consultation on implementation of the Generator Commissioning Clause in the Energy Act 2014

Question 2.1: Do you consider, based on the analysis presented, that Option 1: ION Part B is the best point at which to issue a completion notice in line with the requirements of the Clause? Please provide evidence in support of any other option.

Answer 2.1: We agree based on the analysis presented that Option 1: ION Part B is the best point at which to issue a completion notice in line with the requirements of the Clause.

Question 2.2: Do you have any further comments about our minded-to completion notice trigger point?

Answer 2.2: We acknowledge Ofgem's analysis of London Array and the other TR1 and TR2 projects and the conclusion that, on average, despite technical failures affecting some of these projects, asset transfer for these projects would have taken place within 18 months if a Completion Notice had been issued in accordance with Ofgem's minded-to position. However, it is likely that some of the TR1 and TR2 projects (e.g. Greater Gabbard and Thanet), may not have achieved asset transfer within 18 months and it would be helpful if Ofgem could explain the options that it would consider for dealing with such projects on a "case by case" basis as outlined in 2.52. For example, would Ofgem consider additional protection within the Offshore Transmission Licence for the incoming OFTO for dealing with an ongoing technical issue at the date that the 18 month period expired?

Question 2.3: Do you feel that any further clarification is necessary to aid your understanding of how the Clause will work in practice for phased and /or staged projects? If so, please stipulate which points require further clarification.

Answer 2.3: We believe there is further clarification necessary, please refer to discussion below:

Although the London Array major asset failure case study shows that the transfer would have taken place 15 months after issue of the ION Part B despite a technical fault, this may not always be the case. The circuit which suffered the failure could have been the part of the last stage energised shortly after issue of the ION Part B, and thus the transfer process in reality could have taken the 19 months quoted in responses to the previous consultation. In addition an export cable failure on the last cable to be energised could take many weeks or months to manifest itself after the issue of the ION Part B subject to occurrence of significant loading cycles.

After issue of the ION Part B there is an 18 month period, which after 5 years could be reduced to 12 months, in which to complete the transfer of the assets to an OFTO. During this period there is a material risk of a major asset failure with assets at the very beginning of the asset life 'bath tub' curve, e.g. cable sealing ends have the highest risk of failure within first 48 hours of energisation and until the export cables have been subjected to a series of significant loading cycles, there is still a material risk of cable failure due to undetected issues that may have arisen during manufacturing and/or installation and/or post installation.

Although Ofgem consider the best way to manage any situation where a transmission asset failure prevented a developer from transferring within 18 months would be to consider the appropriate treatment on a case by case basis. We suggest that Ofgem gives further consideration and advice regarding how the incoming OFTO

may be protected from such “construction risks” and what the appropriate treatment would typically be in order to deal with a major asset failure event resulting in potential asset transfer delay, if a commercial solution cannot be agreed between the developer and the incoming OFTO to deal with construction risks being transferred to the OFTO at asset transfer.

Question 2.4: Do you consider that there are WNBI or GFAI projects that would create a need for us to consider further the implementation of the Clause at this stage?

Answer 2.4: Where wider network benefit investment (WNBI) and generator-focused anticipatory investment (GFAI) are taken forward under Generator build, we believe the generator commissioning clause and minded to position can be applied subject to our response to question 2.3.

Question 3.1: Do you have any comments in relation to our minded-to position for implementation of the Clause in respect of projects in flight?

Answer 3.1: We agree with Ofgem’s proposals on in-flight projects for the implementation of the Generator Commissioning Clause.

Question 4.1: We invite comments on all aspects of the proposed drafting provided in Annex 1. In particular, do you agree that the proposed transmission licence modifications adequately implement the provisions in the Clause and our proposals set out in this document? Please provide reasons to support your answer.

Answer 4.1: We have no comments on the proposed drafting provided in Annex 1.

Question 4.2: Do you consider there are other transmission licence modifications that are needed to implement the Clause? If so, please provide details.

Answer 4.2: There are no other transmission licence modification that are needed to our knowledge.

Question 5.1: We invite comments on all aspects of the proposed drafting provided in Annexes 1 and 2. In particular, do you agree that the proposed code modifications adequately implement the provisions in the Clause and our proposals set out in this document? Please provide evidence to support your answer.

Answer 5.1: We have no comments on the proposed drafting provided in Annex 1 and 2.

Question 5.2: Do you consider there are other code modifications that are needed to implement the Clause? Please provide evidence to support your answer.

Answer 5.2: There are no other code modifications that are needed to our knowledge.