

7 March 2014

Peter Wightman  
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[By email: offshore.coordination@ofgem.gov.uk](mailto:offshore.coordination@ofgem.gov.uk)

Dear Peter,

**Offshore Transmission: Non-developer-led Wider Network Benefit Investment**

Thank you for the opportunity to respond to the above consultation of 10 January 2014. I am pleased to submit this response on behalf of ScottishPower Renewables (SPR).

Despite there being various OFTO options, all OFTO assets developed to date have been developer generator built – this has largely been driven by the need for the developer generator to have certainty in the design of its connection as well as control and coordination of construction and energisation, alongside the development of the offshore wind farm. Given the interdependencies and implications for risk and investment, effective management of the interface between the offshore wind farm and the offshore grid is fundamental.

That said, as experience develops, there is potential for efficiencies to be captured by the combination/coordination of certain activities. With regard to inter-project/zone offshore transmission assets, there may be benefits in combining development with others. In our view, this would most effectively be managed by the NETSO, working with the TOs, who could in a coordinated and efficient manner complete the preliminary works.

We recognise the need to attract new sources of capital to support investment in these assets and we would consider Model 3 as the proposal that best meets the objectives of Ofgem. Please find attached our more detailed response in support of this position.

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We would welcome the opportunity to discuss our response more fully with you and if you would like to do so, or if you require any further information from us, please contact me on 0141 614 3101 or at [lindsay.mcquade@scottishpower.com](mailto:lindsay.mcquade@scottishpower.com)

Yours sincerely,

A handwritten signature in black ink, appearing to read "Lindsay McQuade", written in a cursive style.

**Lindsay McQuade**  
**Policy & Innovation Director**

**CONSULTATION ON OFFSHORE TRANSMISSION:  
NON DEVELOPER-LED WIDER NETWORK BENEFIT INVESTMENT**

**SCOTTISHPOWER RENEWABLES RESPONSE**

**Chapter 2: Models under consideration**

**Question 2.1**

**Do you consider there would be market interest in tenders under these non developer-led WNBI models? Please state why or why not, including whether you would be an interested party.**

The level of market interest and the success of any tender process under a non developer-led WNBI model will depend on the risk allocation - which in turn will depend on the selected model.

As a developer of offshore generation assets, ScottishPower Renewables would be an interested party to the extent that greater network coordination could enhance grid operations and lead to more efficient planning and coordination of works. Our focus of investment will remain on generation assets and we would expect others to enter this market.

**Question 2.2**

**What are your views on the role that onshore TOs and the NETSO would need to undertake to ensure success of non developer-led WNBI projects under the different models?**

In order to ensure efficient and coordinated investment, a Design Authority should be appointed to model/coordinate all transmission network investment both onshore and offshore. It would seem sensible that the System Operator would perform this role. Non-developer led WNBI could then be performed within an overall strategic network context with clear design (and ultimately operational) benefits of avoided works, stranded assets and overcapacity.

Existing TOs have proven capability, albeit onshore, and have the advantage of understanding the requirements and processes to enable the works. Taking this experience into the offshore environment, the TOs would require to develop knowledge and experience of offshore grid development and investment. There would potentially be a need for a learning curve during the early stages which could have an effect on cost and timing.

Given the current operation and remit of TOs and the NETSO, we consider they would be best placed to coordinate and control the earlier stages of non developer-led WNBI, including the completion of preliminary works. Despite TOs' limited offshore experience, Model 3 would allow a strategic view of offshore development to be taken, considering proposed generation sites, opportunities for coordination and reinforcement streamlining the development stage and associated decision making. Relying on third parties (i.e. OFTOs) could result in additional cost and inefficiency given the associated administration requirements of further tendering.

**Question 2.3**

**What are your views on the appropriate risk allocation between consumers and parties undertaking preliminary or construction works, and why?**

Employing an approach as suggested in our response to Question 2.2, should allow for an enhanced framework for transmissions network investment offshore.

Coordination of development activities, coupled with a framework requiring bidders to work with existing offshore developers/generators for use of survey data relating to geotechnical, geophysical, benthic, fish and mammal matters, should minimise duplication and provide an economic approach to data collection.

With regard to construction activities, coordination through a lead party or consortium approach covering other offshore activities in a defined area could be encouraged to seek efficiency in procurement and/or programme.

There is significant risk to offshore generators relying on the timely construction of WNBI works to export part or all of its contracted capacity. The mechanisms for compensation due to late grid connection would need to be reviewed to incentivise the party completing the WNBI works to be timely and to provide confidence to the offshore generator that the WNBI works construction plan can support the investment case.

**Question 2.4**

**What are your views on the incentives and obligations that would be needed to ensure that the preliminary works, including consents, are completed in the interests of consumers and the economic and efficient development of the future transmission system?**

The current regulatory framework (i.e. RIIO T1) with regard to TOs focuses on onshore grid transmission development and delivery. This framework would require to be extended or enhanced in order that offshore transmission could be managed with the appropriate incentives and obligations in place. This would have funding and resource implications for TOs and this would require to be considered by Ofgem.

Likewise, the boundaries of the SO regulatory framework would require to be enhanced to ensure they are capable of supporting this step change in network development and implementation.

**Question 2.5**

**To what extent do you think the alternative models would help deliver the objectives set out in paragraph 2.32 of Chapter 2?**

With regard to Ofgem's objectives as defined in paragraph 2.32, we would consider a model which accesses and builds upon the information and knowledge held by TOs/NETSO within the boundaries of the established regulatory framework, to be preferred.

We also recognise the need to attract new capital to fund the considerable investment required to support offshore transmission assets.

Given this, and the need to provide value to consumers by building on the existing regulatory regime, helping to capture the benefits of completion and coordination, we would consider Model 3 best meets Ofgem's objectives.

**ScottishPower Renewables**

**7 March 2014**