The Isle of Man Government's Department of Economic Development ("the Department") is pleased to respond to the OFGEM consultation regarding regulation of transmission connecting non-GB generation to the GB electricity transmission system.

The Isle of Man is a self-governing British Crown Dependency with constitutional and historical links to the UK and is centrally located in the Irish Sea between England, Scotland, Ireland and Wales.

Although the Isle of Man is not an EU Member State it does have a formal legal relationship with the EU, through the United Kingdom, by virtue of Protocol No. 3 that was annexed to the Treaty of Accession by which the UK became of member of the (then) European Economic Community on 1 January 1973. Under the Isle of Man's relationship with EU, *inter alia*, the Island is part of the customs territory of the Union and there is free movement of agricultural and manufactured goods between the Island and the EU Member States. EU customs legislation applies directly to the Isle of Man in the same way as it does to the UK, as does certain EU legislation relating to agricultural products. In addition, by virtue of the 1979 Customs and Excise between the Island and the UK, the EU rules concerning VAT and excise duties also apply to the Isle of Man.

It is perhaps worth noting that there is an existing 90kV 67MW alternating current bi-directional sub-sea cable between the Isle of Man and the UK which was commissioned in late 2000. The Department would of course work closely with OFGEM, along with other interested parties in the UK, on any future project that would involve further connections to the GB electricity transmission system.

The Department's responses to those questions that are relevant to the Isle of Man are set out below.

Question 1: What are the key milestones for the delivery of non-GB generation and connections pre-2020? How does the decision on the regulation and licensing of non-GB connection fit into this timeline?

The Isle of Man intends to tender during 2014 areas of its seabed for offshore wind and tidal development which is the latest possible date to enable projects to be delivered by 2020. Therefore, clarification on the regulation and licensing of non-GB connection would need to be provided during 2014.

Question 2: From the perspective of a non-GB project developer, how does the decision on the regulatory arrangements interact with Government decisions on renewable support (such as the award of a Contract for Difference (CfD))?

As the land owner of 4,000 km^2 of seabed in the Irish Sea the Isle of Man Government intends to lease seabed to non-GB project developers. The UK Government decision on renewable support is necessary to provide the financial certainty for projects in the Isle of

Man territorial seas which is closely linked to the decision on the regulatory arrangements which will determine the export route for renewable energy generated.

Question 3: Are there other factors that Ofgem should be aware of relating to the timing and development of non-GB connections?

Joint projects under Articles 7 – 10 of the EU Renewable Energy Directive also provides further 'flexibility mechanisms' between a Member State and a third country where energy produced in the third country is imported into the EU. The Isle of Man not being an EU Member State would still envisage the same regulatory mechanism being used for the Isle of Man as the trading between Ireland and the UK.

The Isle of Man has ownership of its territorial seas up to the 12 nautical mile limit, and as such has responsibility for marine spatial planning and zoning over approximately 4,000 km^2 of the Irish Sea. The Isle of Man has the potential to contribute 2 to 3 GW of offshore wind and tidal stream capacity towards the UK renewable energy targets. The electricity generation potential from these resources are considerably larger than the local consumption of electricity and development will therefore require an export market for the renewable electricity generated.

The scale and proximity to the UK of the resource in the Isle of Man for offshore wind and tidal make it relevant to consider enabling installations in the Isle of Man territorial seas to access the UK energy market and support mechanisms. Enabling developers of projects within the Isle of Man to access the UK market to receive support subsidies could yield substantial benefits to the UK in terms of reduced risks and lower costs, both directly through lower cost imports or indirectly by market stimulation and hence more rapid cost reduction in development.

Question 6: We invite views on our interpretation of the different asset definitions/boundaries and interpretation of the legislation provided in this chapter. What implications does this have for the regulatory options presented in the next chapter?

The proposed mechanism in figure 3.1 would appear to be appropriate for new interconnection between the Isle of Man and UK. Although the treatment of connections between Isle of Man and UK may fall outside the normal legislative and regulatory requirements that exist between EU/EEA states however, the possible development of a bespoke suitable legislative and regulatory framework between our respective jurisdictions may help deliver mutually beneficial opportunities.

Question 9: Are non-GB connections deliverable by 2020 via direct and exclusive connections?

"Direct and exclusive connections" for a non-GB generator (or group of generators) to the GB transmission system for projects in the Isle of Man would be feasible.

The Department would not want to delay the process to implement the regulation and licensing of non-GB connection however, more complex asset configurations would facilitate earlier development of tidal projects in the Isle of Man territorial seas. The existing 90kV 67MW alternating current bi-directional sub-sea cable between the Isle of Man and the UK might be used to deliver renewable energy from tidal or other renewable projects by 2020 if it proved possible to settle the legislative and regulatory issues with regard to interconnection between the Isle of Man, as a non-EU State, and the UK within an appropriate timescale.

Question 11: What are the potential benefits and challenges of enabling flexibility for a non-GB connection to also be used for a) market-to-market trading; and b) GB network reinforcement? What are the implications for investment certainty?

"Market-to-market interconnection" is of interest to the Isle of Man and not being an EU Member State may provide mutually beneficial opportunities from a legislative and regulatory perspective to achieve "quick wins".

The central location of the Isle of Man in the Irish Sea offers an opportunity to provide a potential interconnector hub for GB and non-GB connections whereby offshore projects could connect to a hub in the Isle of Man and be connected to the GB grid by high voltage cables. This could reduce cabling costs and facilitate fewer GB onshore landings and upgrades to the National Grid. Therefore, flexibility in the regulatory and licensing arrangements should be considered so that potential benefits may be delivered.

Question17: What are the implications of following the current connections process for non-GB connections? Should non-GB generators be treated differently to GB based generation? Should non-GB generators be treated differently to other interconnector users? If so, please provide your reasoning.

The Department is supportive of the European Renewables Directive prioritising access to the network for electricity produced from renewable sources. The Department would encourage consideration of cost effective non-GB generation from locations such as the Isle of Man to assist with meeting the targets set in the European Renewables Directive.

Question 21: Are there other challenges we should be considering when looking at non-GB connections?

The North Seas Countries Offshore Grid Initiative indicates that significant financial savings can be achieved from clustering offshore renewable energy projects and sharing cables in a coordinated manner. The central location of the Isle of Man in the Irish Sea offers an opportunity to provide a potential interconnector hub for GB and non-GB connections whereby offshore projects could connect to a hub in the Isle of Man and be connected to the GB grid by high voltage cables. This could reduce cabling costs and facilitate fewer GB onshore landings and upgrades to the National Grid.

Conclusion:

The Isle of Man could assist the UK to meet renewable targets however, we would need a suitable regulatory framework that would be appropriate for a British Crown Dependency.