



Jon Parker  
ITPR team  
Ofgem  
9 Millbank  
London  
SW1P 3GE  
Email: ITPRMailbox@ofgem.gov.uk

**RWE Innogy UK**  
Name: Lewis Elder  
Grid Regulation Manager  
Phone: 07557758382  
E-mail: Lewis.elder@rwe.com

24<sup>th</sup> November 2014

## **Integrated Transmission Planning and Regulation (ITPR) Project: Draft Conclusions**

Dear Jon,

Thank you for the opportunity to comment on your consultation on ITPR. This response is provided on behalf of the RWE Group of companies across the UK.  
In summary:

- **We welcome plans to enhance the role of the System Operator and seek a subsequent streamlining of processes. Ofgem must ensure that delays to the delivery of Strategic Wider Works, offshore connections and interconnections are avoided.**
- **We believe the formation of an Independent System Operator (ISO) would create a more transparent system. We ask Ofgem to fully investigate this as an option.**
- **The development of WNBI must be done with consideration of the developers' project timescales costs and risks and a complementary liability mechanism.**
- **We welcome the proposals for competitive tendering of new onshore assets, but suggest Ofgem monitor the initial implementation to evidence savings.**
- **We support plans for non-GB generators to pay for connections without consumer underwriting, however we are extremely concerned that under current arrangement they would avoid use of system charges and gain an unfair competitive advantage over GB generators.**
- **We welcome plans to limit conflict of interest and again see merit in evaluating how an ISO could provide further comfort in this area.**

Please do not hesitate to contact myself should you have any questions.

Yours sincerely,

Lewis Elder

[RWE Innogy UK](#)

Auckland House  
Lydiard Fields  
Great Western Way  
Swindon  
Wiltshire SN5 8ZT

T +44 (0)8456 720 090  
F +44 (0)8456 720 050  
I [www.rweinnogy.com/uk](http://www.rweinnogy.com/uk)

Registered office:  
RWE Innogy UK Limited  
Auckland House  
Lydiard Fields  
Great Western Way  
Swindon SN5 8ZT

Registered in England and  
Wales no. 2550622

## **RWE responses to individual questions**

### **CHAPTER: Two**

#### **Question 1: What are your views on our proposed enhancements to the SO role in system planning, including the specific roles we have proposed the SO would undertake for onshore, offshore and interconnection planning?**

We welcome the plans to enhance the role of the SO, but we see benefits of Ofgem going further and creating an Independent System Operator. We are concerned the consultation bears little acknowledgement of the System Operator Transmission Owner Code (STC) and Electricity Ten Year Statement (ETYS). This is important not only to highlight the current arrangements, but also as the STC provides the framework to which Ofgem could suggest where improvements should be made.

We particularly support the role of a system architect to plan and design a better coordinated network. It is rational to tackle system planning from a GB perspective on demand and supply needs rather than separately for each licensed network area. Furthermore, the enhanced SO role complements the proposed intentions of the European Network Codes, where the SO has an important role in coordination of networks between member states. The proposal for additional requirements for TOs to provide information about their networks and investment plans to the SO (2.9) seems appropriate to ensure that the SO will have access to the information it requires for 'top down' system design. At the same time retaining the TOs role in 'bottom up' needs case analysis is important – however, Ofgem need to clarify the conflict resolution process should it be required.

One key caveat to our support is that the new enhanced SO role must not lead to delays to the delivery of Strategic Wider Works or multi-party connection projects. We are concerned that should the TO and SO disagree on the option to progress to regulatory approval, generators reliant on the completion of a particular project would be potentially subject to delays. We seek clarification from Ofgem on what new measures they have in mind within their regulatory framework for the SO and TOs to ensure a more timely delivery.

In terms of options development the role of the SO seems clear cut for providing a critique on major new capacity need and cross border interconnection. Regarding coordinated planning between Users the proposals seem less robust.

Finally, the main reason for supporting the creation of an ISO, is that an ISO is the only way to address concerns around conflicts of interest with confidence. We believe the historical justification for there being synergies between the SO and TO may now be difficult to evidence, particularly as Transmission Operators are independent in Scotland. While we appreciate an ISO would result in numerous fundamental changes and may not be achievable in the short-term, but we would urge Ofgem to investigate the possibility of this in 2015.

#### **Question 2: Are there other roles that you think an enhanced SO could or should undertake in order to better support the development of an efficient transmission and interconnector network?**

In order for the enhanced SO to be considered a system architect with full visibility of the network, it may be appropriate for the enhanced SO to also coordinate and plan DNO activities with the DN/SOs. With RIIO-ED1 encouraging the emergence of DSO activities it would seem logical for the SO to work with DN/SOs. Considering the rise in embedded generation and demand side response the communication and integration of TO and DNO activities is a necessity and may be better managed via an overarching SO.

This type of SO role would again support the need for an ISO – to ensure there was full trust and transparency. For example without the SO being fully independent there may well be perceived conflicts of interest regarding network charging arrangements.

**Question 3: What are your views on the specific obligations for TOs that might be needed to support our proposed enhanced SO role?**

To support the successful operation of the enhanced SO we see a need for more formalised arrangements for the SO-TO-DNO roles and their interactions. Ofgem should take a lead in determining these and there should be clear communication and strong stakeholder engagement in defining responsibilities.

**Question 4: What are your views on our proposal that, as part of its enhanced role, the SO should lead gateway assessments for offshore projects that include investment to provide wider network benefit?**

Whilst we agree that the SO is best placed to lead gateway assessment, it is critical that the SO is aware of the timescale and risk a project is working to. The large investment made by developers cannot be compromised by any WNBI. The SO has previously made coordinated offers to offshore developers which they have been unable to accept. Whilst such offers may lead to lower overall connection costs, it is not commercially viable for a developer to accept such offers where they expose themselves to liability beyond that associated with their individual project. For this to work the User Commitment methodology and regulatory comfort regarding the recovery of stranded assets would have to be provided to generators involved in build as well as OFTOs. The risks taken on by the second comer that is reliant on the first for connection also need to be addressed. Additionally, innovative finance options for generator build would also be important given the substantial costs of offshore connection works compared to overall offshore wind project costs.

**CHAPTER: Three**

**Question 5: What are your views on our proposal to extend competitive tendering to new, high value, separable onshore assets?**

We welcome the new competitive tendering of onshore assets as competition drives price reduction, we also hope that this will bring more visibility to costs for Ofgem as the regulator. We are disappointed with Ofgem's apparent lack of capacity at addressing the rising costs and delays to major infrastructure projects to date via more prompt analysis and harsher penalties on incumbent TOs.

The status quo for developing SWW is currently through an inefficient process – from a generator perspective it does not demonstrate foresight, and causes delays and related costs for Users. It is therefore critical that Ofgem demonstrate that these new plans will not add further uncertainty or delay. Furthermore, we would like an indication of how tenderers capabilities will be assessed and how they will be incentivised to develop to scope and time.

We are cautious of justifying this new process by referencing the success of tendering Offshore assets via Generator-Build as this is not comparing like-with-like. Instead this new process is more closely attributable to the OFTO-build option, which has not enjoyed the same success. Therefore, we believe further evidence through thorough monitoring of initial implementation should be completed to confirm this does lead to a price reduction whilst still completing projects to time.

Ofgem should also attempt to address the existing problems with the OFTO-build regime which will be mirrored in the new CATO model, such as: under the late-CATO, one party designing/consenting a project and another party managing construction ; and, Under the early-CATO, tenderers are bidding without knowledge of what they will have to build at the end. Unless addressed, this uncertainty and risk is captured by a tenderer in an increased bid, put on the end consumer.

**Question 6: What are your views on our proposals to maintain a developer-led approach to interconnection and to extend the cap and floor regime?**

We support this proposal.

**Question 7: What are your views on our proposal that non-GB generators pay for their connections, without consumer underwriting?**

Whilst we support the default position that the non-GB generator pays for its connection without consumer underwriting, we are concerned that the consultation later states that this will be left open, and dealt with on a project by project basis – meaning the initial statement bears little weight. Further, there is little certainty given as to when a project is defined as in the consumers interests, particularly as the inclusion of non-GB generators could jeopardise GB generators access to CfD auctions - driving investment, security of supply, and jobs abroad. Should non-GB generators be classed as Interconnectors, it is vital that they agree to all the same requirements GB generators are subject to, particularly TNUoS and BSUoS charges. Allowing non-GB generators to avoid these charges would put them at a competitive advantage and increase the chances of being successful in a CfD auction – meaning consumers were not only subsidising them, but underwriting the risks of connecting to the network.

**Question 8: What are your views on our proposal to provide regulatory continuity when the purpose of a transmission asset changes?**

No comments.

**CHAPTER: Four**

**Question 9: What are your views on our assessment of conflicts of interest?**

We welcome initiative which limit conflicts of interest. In order to demonstrate improvements in reducing conflicts of interest we urge Ofgem to detail what they believe does not work at present, allowing a clear strategy for improvements in each issue. The most transparent way of ensuring no conflict of interest is to separate the SO and TO.

**Question 10: What are your views on our proposals for mitigating conflicts of interest?**

We welcome the proposals to ring fence and would be hopeful of an update as to this success of this method after a year of operation.

**Question 11: Do you think independent scrutiny of the SO's activities (eg through an expert panel or auditors) would provide value for money?**

We expect Ofgem to complete this already, and do not believe that running another independent group would give value to the end consumer.