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Integrated Transmission Planning and Regulation project (ITPR): final conclusions

Stakeholder responses to our draft conclusions – Supporting Document

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Overview:

In this document we set out a summary of stakeholder responses to our draft conclusions under the Integrated Transmission Planning and Regulation (ITPR) project, published in September 2014. We also set out our commentary on how our decisions and proposed future work address the points raised.

The question numbers refer to the questions we asked in our draft conclusions. Chapter 1 covers responses to questions 1-4 and 9-11, while chapter 2 covers responses to questions 5-8.

We have published non-confidential responses to our consultation on our website.

Contents

1. Responses to our draft conclusions on enhancing the System Operator's role

Introduction

1.1. Our draft conclusions published in September 2014 included proposals to enhance the role of the System Operator (SO) in system planning and on measures to mitigate conflicts arising from this enhanced role.

1.2. Responses to our proposals on enhancing the SO's system planning responsibilities were generally supportive, although some concerns were expressed about the effects of the new arrangements. Key points arising from responses included funding for the proposed new roles, interaction with the distribution system and the suggestion that a dispute resolution process is needed.

1.3. Responses to our proposals on the measures to mitigate potential conflicts of interest within National Grid Electricity Transmission (NGET) caused or exacerbated by the proposed enhancements to the SO's role were generally positive. The main points made by stakeholders included a perceived benefit from business separation of the SO and transmission owner (TO) within NGET and comments on the scope of the proposed conflict mitigation measures. Some stakeholders suggested that an independent SO (ISO) would be needed for conflicts to be mitigated.

Responses to our proposals on enhancing the SO role in system planning

Question 1: views on our proposed enhancements to the SO role in system planning, including the specific roles we proposed the SO would undertake for onshore, offshore and interconnection planning

1.4. Respondents mainly supported our proposals, welcoming increased coordination in system planning. Key points raised by stakeholders included the potential impact on planning and investment timescales for developers, particularly for strategic wider works (SWW) projects, the need for a process to resolve potential disputes between the SO and TOs, the importance for Ofgem to demonstrate the benefits of the proposed enhancements before deciding to implement them, and the potential for conflicts of interest.

Effect on planning and investment timescales

1.5. Stakeholders had concerns that the enhancements to the role of the SO in system planning could have a negative effect on planning and investment timescales due to increasing complexity. As explained in chapter 2 of our impact assessment

(IA), we do not think that timescales will be unduly affected by the new SO roles. The changes we are making to the process (which build on what is already there) should not cause significant disruption or delay. Earlier scrutiny of options and consistency of assessment of options (through the network options assessment (NOA) process) should lead to more consistent and comprehensive regulatory submissions and potentially speed up our decision-making process.

Process to resolve disputes between the SO and TOs

1.6. Some respondents queried how disagreements between the SO and TOs would be dealt with, and suggested that a specific dispute resolution process should be introduced. As the new SO roles will be advisory rather than directive, we do not think it is appropriate or necessary to create a new dispute resolution process. We set out our reasoning for this in chapter 2 of the decision statement.

Demonstrating the benefits of enhancements to the SO role

1.7. We agree with stakeholders that it is important to demonstrate the expected benefits of the enhancements to the SO role. We have set out our assessment of the benefits and costs of the enhancements to the role of the SO in our accompanying IA. Based on this assessment we believe enhancing the SO role will deliver medium to long term benefits to consumers, through better coordination, increased transparency and more information for developers and TOs, that outweigh the associated costs. We anticipate that any additional costs will be relatively insignificant compared to the cost savings that could be achieved from a more efficient and coordinated transmission network.

1.8. Two respondents raised the question of additional funding for the SO to carry out its enhanced roles. We have set out our initial views on funding for the enhancements to the role of the SO in chapter 3 of our supporting document on enhancing the role of the SO. Our initial view is that where new outputs are to be delivered as a result of its new responsibilities these should be considered in the event of a mid period review (as set out in RIIO-T1 final proposals). We expect that any additional funding needed will be relatively limited.

Conflicts of interest

1.9. Some stakeholders noted potential conflicts of interest for the SO, particularly in relation to interconnector development or projects that may be competed. We recognise that there is the potential for conflicts of interest in this area. We will be implementing mitigation measures which we think are sufficient to address conflicts introduced by our decision to enhance the SO role.[1] Feedback on mitigation of

[1] Discussion of incumbent bidding arrangements and associated conflicts of interest are set out in chapter 2.

conflicts of interest is covered in more detail in the next section. Several respondents, including offshore TOs (OFTOs) and generators, while supporting the proposed enhancements to the SO role, suggested that there may be greater merit in an ISO. We discuss the ISO model in paragraph 1.25.

Question 2: views on any other roles that an enhanced SO could or should undertake in order to better support the development of an efficient transmission and interconnection network

1.10. Respondents proposed some other roles for the SO, including greater roles in identifying additional interconnection and in Europe, in particular participation in ENTSO-E's evaluation of justification for interconnectors and in forming a consensus among the GB TO community on EU system requirements. Several stakeholders stressed the importance of considering the needs of and impacts on the distribution system. One stakeholder suggested that the SO should have more involvement in forecasting expected balancing services requirements. Another suggested the SO should provide information on constraints on seabed usage.

SO role in interconnection and Europe

1.11. We have considered these responses, but we do not believe that there is sufficient merit at present in enhancing the role of the SO further than proposed in our draft conclusions. With regard to planning of interconnection, we do not currently intend to implement a centrally-identified, fully regulated approach to interconnection as we think the existing cap and floor approach can deliver benefits to consumers whilst maintaining the developer-led approach. As for the role in Europe, we expect the additional roles for the SO in interconnector modelling will mean that it will play a greater role in ENTSO-E modelling.[2] We expect the SO to have a lead role for GB and engage with other TOs and interconnectors in doing so. There may need to be further consideration of the SO's precise role in representing GB once the new responsibilities we are giving it are established and we will also consider in due course whether we need to formalise its role.

Interaction with the distribution networks

1.12. We agree with respondents that there are interactions between the transmission and distribution networks. We encourage the SO and distribution network operators (DNOs) to continue to work collaboratively to ensure that the SO understands and considers the interactions with distribution networks when managing the transmission system. We set out our thoughts on this area in more detail in chapter 1 of our supporting document on enhancing the role of the SO.

[2] ENTSO-E (the European Network of Transmission System Operators for Electricity) produces annual Ten Year Network Development Plan (TYNDP) reports, which include modelling and analysis of interconnector need and capacity: https://www.entsoe.eu/Pages/default.aspx.

Other roles

1.13. With respect to future balancing services we agree with the respondent that NGET's system operability framework (SOF), which studies the impact of different generation scenarios on system operability in depth, is a step in the right direction. We will continue to engage with the SO on how the SOF can be developed. In relation to seabed constraints we think this would be a significant change in role for the SO rather than building on existing capabilities and do not think it is appropriate at this time.

Question 3: specific obligations for TOs that might be needed to support our proposed enhancements to the SO role

1.14. Some stakeholders suggested that the TOs should have a more proactive role in the NOA process, by collaborating and interacting fully with the SO in the development of the NOA report, and that the interaction of TO and SO incentives should be considered. Some stakeholders considered that there needs to be a requirement on the TOs to provide information to and engage with the SO, although several respondents noted that such requirements already exist in industry codes, such as the SO-TO code (STC).

1.15. Having considered these responses, we think that TO input into the NOA process will be important and will propose licence modifications to oblige the SO to consult with TOs during the NOA process and oblige TOs to provide information to the SO.

1.16. One respondent indicated that there might be additional costs resulting from our proposals. Whilst we agree that there will be some changes in what the TO needs to do we think it is unlikely that there will be an increase in overall costs to the TO as set out in our IA.

Question 4: 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

How the gateway assessment process will work

1.17. Respondents were generally in favour of the SO taking on this role, although several questioned how a gateway process would work in practice. We have decided to implement our proposal that the SO lead gateway assessments for developer-associated offshore wider works, as explained in chapter 1 of our supporting document on enhancing the role of the SO. We have set out an illustrative example of a gateway assessment process in figure 1 of that chapter.

Risks and compensation for developers

1.18. Some stakeholders raised concerns over increased construction risk, possible delays arising from the inclusion of wider network benefit investment (WNBI) in a connection offer or changes to the needs case for the WNBI and the impacts of this risk on financing for the offshore project. These stakeholders suggested that developers should be incentivised or compensated for carrying out such works. A number of respondents were concerned that developers may be obliged to accept connection offers containing developer-led WNBI, noting that not all developers may be capable of carrying out the additional works.

1.19. We consider that giving the developer comfort through the gateway process that it will be able to recover economic and efficient costs of the WNBI significantly mitigates any risk associated with financing the additional investment. We will take project timescales into account when deciding on the appropriate gateway assessment process for a project. The process developers should follow if they have concerns relating to WNBI in their connection offer is set out in chapter 1 of the ESO supporting document.

Responses to our proposals on managing conflicts of interest

Question 9: views on our assessment of the conflicts of interest

1.20. Respondents generally considered that we had identified the main conflicts of interest that could arise from our proposed enhancements to the SO role. Two main areas of concern were identified: the SO's involvement in outage coordination and the proposed SO role in RIIO-T2. One stakeholder also raised the risk that the SO might not sufficiently develop projects that would meet the criteria for the use of competitive tendering, making it difficult to actually tender these projects. No respondents disagreed with the conflicts we had identified.

Network outage coordination

1.21. Industry views on the potential conflicts from the SO role in network outage coordination related primarily to whether potential conflicts of interest are appropriately managed. As we would need specific examples to be able to determine whether any additional measures are necessary, we have since invited the respondent to submit further evidence to us. We will consider any evidence and determine whether any further action is needed.

SO role in RIIO-T2

1.22. Some stakeholders were concerned about conflicts arising from the potential SO role in investment plans that will be developed by the onshore TOs as part of RIIO-T2. We anticipate the SO will play a role in the investment plans and we will consider in more detail the role the SO will play closer to the price control review.

More information is in chapter 1 of our supporting document on enhancing the role of the SO.

Question 10: views on our proposals for mitigating conflicts of interest

1.23. Most respondents agreed with our proposals, although some stakeholders felt that we should go further in developing measures to ensure transparency and scrutiny. A few stakeholders considered that our proposals did not go far enough and suggested that more extensive separation of NGET's SO and TO should be implemented. Several stakeholders suggested the need for conflict mitigation measures to be kept under review. Other parties made some suggestions for alternative measures to the ones we set out. These suggestions included a code of conduct for NGET's management individuals and incentives on the SO's conduct and suggestions related to data transparency.

1.24. We consider the measures we are taking forward to be proportionate to the identified conflicts, without leading to unnecessary institutional disruption and implementation/ongoing costs. We do not think the alternative suggestions provide additional benefits to our proposals. At present, we consider that the potential benefits of further delineation between NGET's SO and TO functions beyond that proposed would not outweigh the costs and disruption of such separation. We propose to monitor the effectiveness of the measures and keep the case for further SO-TO separation within NGET under review. There is more detail on the business separation requirements that we will be implementing for National Grid in chapter 2 of our supporting document on enhancing the role of the SO.

1.25. Some respondents indicated a preference for an ISO as a means of resolving potential conflicts of interest. We are continuing to look at the ISO model as we consider that there may be merit to this model in the future. We think that there are benefits that can be gained from enhancing the SO's role now and consider that the conflict mitigation measures set out in chapter 2 of our supporting document on enhancing the role of the SO are appropriate.

Question 11: views on the value of independent scrutiny of the SO's activities

1.26. Of those respondents that expressed an opinion, a narrow majority agreed with our view that independent scrutiny would not provide value for money and that the proposed package of measures would be sufficient. However, the others thought that there could be value in independent scrutiny or spot audits.

1.27. As the responses did not provide compelling evidence of the added value of independent scrutiny (relative to our proposed package of measures), we confirm that we will not be taking it forward. More detail on our decision is in chapter 2 of our supporting document on enhancing the role of the SO.

Other responses

Freedom of information

1.28. There were some calls for NGET to become subject to the Freedom of Information Act 2000. We do not have the power to decide which parties are subject to the Freedom of Information Act 2000; this is something for government to consider.

Onshore competition

1.29. Some stakeholders had queries about TO bidding arrangements for competed onshore assets. We discuss this further in chapter 2.

SO incentives

1.30. Several respondents suggested a review of SO incentives, particularly how SO and TO incentives interact and to make sure that the SO is incentivised to do early development work well. We will consider this as part of a broader review of SO incentives and as we develop our detailed framework for the use of competitive tendering for onshore transmission projects.

2. Responses to our draft conclusions on regulating asset delivery

Introduction

2.1. Our draft conclusions included proposed changes or clarifications to where different regulatory approaches will be used to ensure asset delivery is efficient and consumers are protected from exposure to undue costs and risks. In particular, these included proposals to extend the use of competitive tendering to some onshore transmission assets, maintain a developer-led approach to interconnection, establish our approach for the connection of non-GB generation, and provide regulatory certainty for multiple purpose projects (MPPs).

2.2. The majority of stakeholders were in favour of our proposals on interconnection, direct connections to non-GB generation, and MPPs. Many stakeholders supported our proposal to extend the use of competitive tendering to some onshore assets. Others supported the principle of using tendering, but requested more detail on the regime. Other stakeholders noted in their responses that they did not think the benefits to consumers of extending the use of competitive tendering had been proven.

2.3. We have considered the responses to our consultation. Below, we describe specific points raised by stakeholders, and provide responses indicating our views or providing additional clarification, as appropriate.

Responses to our proposals to extend the use of competitive tendering

Question 5: Views on our proposal to extend the use of competitive tendering to new, separable and high value onshore transmission assets

Costs and benefits of extending the use of competitive tendering

2.4. Several stakeholders welcomed our proposal to extend competitive tendering to deliver onshore transmission assets that are new, separable and high value and noted that they think this has the potential to bring benefits to consumers in terms of innovation, costs, and overall efficient delivery.

2.5. Some stakeholders noted in their responses that they do not think the benefits to consumers of extending competitive tendering were proven. We have published an IA that includes an explanation of our approach to assessing the costs, benefits and risks to consumers. It also provides additional information to address specific points raised by stakeholders. This includes points on the quantification of

benefits and costs, as well as the use of evidence from other jurisdictions, which are addressed in greater detail in our IA.

Project delivery risks

2.6. Some stakeholders questioned whether onshore competitive tendering would introduce delays to project delivery. For example, they questioned whether a tender would bring additional complexity and uncertainty to a project, and stakeholders therefore thought this could create a risk to timely delivery.

2.7. We do not consider that a tender process necessarily adds delay to the delivery of projects in comparison to delivery by incumbent TOs. Competitive tenders are used in many sectors for the delivery of infrastructure projects, and delays are not an overriding concern.

2.8. We also note that using competition presents opportunities for third parties to deliver projects in an innovative way, which could lead to accelerated delivery, rather than delays. Overall, we recognise that delivery timing needs to be properly managed. In the continued development of our tender models, we will aim to ensure that introducing competition onshore does not have a detrimental impact on the timing of projects. We provide more information on the implications of a tender process on project timing and delivery in our IA.

2.9. Some stakeholders noted that we need to consider the application of Scottish law when introducing competitive tendering to projects in Scotland. They noted for example that it may not be easy to transfer rights under wayleaves and deeds of servitude, and were concerned that a third party may be required to reacquire such rights. We are currently considering these points in further detail and intend to engage with relevant industry and government parties to determine the extent of their impact and, where appropriate, potential mitigating measures.

System risks

2.10. Some stakeholders questioned whether the necessary incentives and obligations would be in place to ensure that competitive parties would deliver to the standard required for an economic and reliable transmission network.

2.11. We will develop a robust tender process that selects qualified parties based on value for consumers. We have already done this for offshore tenders, where bids are evaluated on the basis of financial and technical robustness as well as price. We will also ensure that appropriate licence obligations are placed on the parties selected via the tender process to construct, own and operate transmission assets. All new licensees will also be required to accede to the appropriate industry codes and to follow appropriate standards.

2.12. Some stakeholders considered that with an increased number of parties, the system becomes increasingly challenging and complex to manage. Transmission

systems are already subject to a significant number of interfaces with existing TOs, offshore TOs (OFTOs), DNOs and generators. We do not consider that appointing parties through competitive process to deliver onshore transmission assets will add undue new complexity or risk to interface arrangements. We recognise that this needs to be managed appropriately by ensuring the right industry arrangements are put in place. We set out the anticipated costs and risks of extending competitive tendering, in chapter 2 of our IA.

Incumbent bidding participation

2.13. Some respondents questioned whether incumbent onshore TOs will be allowed to participate in onshore tenders. Generally, enabling as many parties as possible to bid in tenders is good for the competitive process as it ensures competitive pressures that lead to value for consumers. However, there are some issues that must be addressed with respect to incumbent onshore TOs bidding, including managing potential conflicts, certification under the Electricity Directive, and our ability to continue to effectively regulate incumbent parties under price controls that apply to their monopoly businesses.

2.14. We proposed in our draft conclusions that NGET's associated competitive businesses should be separated given the conflicts of interest that could arise between these activities and the SO's roles. We proposed that if National Grid seeks to participate in any future competitive onshore tender, this would need to be undertaken through a business that is sufficiently separated from the SO. We expect this would include legal, financial, physical, employee, managerial and information separation. NGET is already not allowed to participate in interconnection operation or offshore tenders, and we consider these measures should be reinforced as a result of our decision to enhance the SO's role. We will consult further on these arrangements and any associated licence changes in time for the first competitive tenders for onshore transmission.

2.15. We will consider what, if any, conflicts of interest could arise in respect of the other incumbent TOs, if they were to participate in the competitive tendering process, and what conflict mitigation measures may be needed as part of our development of the tendering framework.

Criteria for determining which onshore transmission assets will be competitively tendered

2.16. Most stakeholders agreed with our proposed criteria for identifying which onshore transmission assets should be subject to competitive tenders. A number of respondents requested further clarification of the criteria. We are undertaking further work to establish the detailed definitions of 'new', 'separable' and 'high value', as well as the methodology for how these criteria will be applied. We appreciate the suggestions that stakeholders have so far made in this regard and will take this feedback on board as we further develop the criteria definitions. We have commissioned technical consultants to undertake further work on the definitions and

currently intend to publish their report in the next few months. We then intend to further consult on the criteria in the autumn.

2.17. While some respondents supported the introduction of competitive tendering for projects that fall under the RIIO-T1 price control, a small number thought that tendering RIIO-T1 projects would bring too much project delivery risk. As indicated in RIIO-T1 final proposals[3], SWW projects could be subject to competitive tendering. We recognise that we will need to consider the delivery risk of tendering existing projects where pre-construction has already been progressed significantly by incumbent TOs but construction has not yet been funded.

2.18. Some stakeholders requested clarity on how the SWW thresholds were set, and whether we would reconsider these thresholds in order to open further investment to competitive tendering during the RIIO-T1 period. Through the RIIO-T1 price control process, each TO developed a business plan for investment and proposed a value threshold for projects that would qualify for the SWW uncertainty mechanism. This was based on each TO's assessment of the case for investment on their networks or in their transmission area. The thresholds are £50m for Scottish Hydro Electric Transmission, £100m for Scottish Power Transmission, and £500m for NGET. In our view, regulatory certainty is a central element of independent economic regulation, and it ultimately lowers risk premia faced by consumers. For that reason, we do not intend to re-assess the SWW thresholds during RIIO-T1.

2.19. Some stakeholders suggested that we should consider competitive tendering for onshore generator connections. An example given included the competition in connections that is an option available for new connections to distribution networks. Since onshore generator connections not covered by the SWW mechanism are currently funded through the price control, we do not intend to compete such projects during RIIO-T1. In the longer term, we will consider applying competition to non-SWW onshore assets, such as generator connections, if they meet the criteria for competitive tendering.

Tender models

2.20. In our draft conclusions consultation we outlined high level details on possible early and late tender models for competitive tendering onshore. Key points raised in some responses included the broad expectation that an early model would enable more innovation and allow for continuity in the party responsible for project development, while the late model would offer more certainty to bidders and so could lead to more competitive pricing.

[3] For NGET RIIO-T1 final proposals, see https://www.ofgem.gov.uk/ofgem-publications/53599/1riiot1fpoverviewdec12.pdf, pp9 and for Scottish Power Transmission and Scottish Hydro Electric Transmission RIIO-T1 final proposals, see https://www.ofgem.gov.uk/ofgem-publications/53747/sptshetlfpsupport.pdf pp15.

2.21. Each model has pros and cons. We plan to continue working up both options in further detail, and envisage publishing a consultation on the models in the autumn.

2.22. For the early model, a number of stakeholders were concerned that new entrants would be inexperienced and adopt an inefficient approach to the complex consenting process. We note, however, that in other parts of the energy industry multiple parties have demonstrable experience in managing consenting processes, for example offshore generators who have designed and constructed transmission assets under the generator build model. New entrants could also introduce new, efficient and effective approaches to securing consents.

2.23. Under the late model, the SO would be responsible for the design and consenting for the project, while the successful bidder would undertake procurement, construction and operation of the assets. A number of respondents noted that this would mean a discontinuity in the project development process and could lead to poor incentives to get the design of the project right. We note that similar models are commonplace in public infrastructure procurement in other sectors and have been successful. We will develop and consult on appropriate incentives and obligations for the SO to undertake the pre-construction works in a way that leads to efficient end to end project delivery.

2.24. Some stakeholders also questioned how any risks and liabilities from the pre-construction phase would be managed in the later phases of a project under the late model. We consider that through the tender and transaction process of the successful bidder taking on the project, arrangements for any specific risks and liabilities would be agreed. Generally, we think that the successful bidder would take on the project as a whole, so residual risks and liabilities would not remain with the SO. As part of a tender process for a project we would anticipate that associated specific risks or liabilities would be identified, along with consideration of how these might be best managed.

2.25. Some stakeholders also questioned the ability of the late model to deliver competitive benefits, especially when compared with the early model. We recognise that the early model enables more innovation in the high level design and technology choices. However, a chief benefit of the late build model is that it has more project certainty which helps fix costs at the point of tender and minimises risks to both consumers as well as to bidders, which could in turn lead to higher levels of competition on price. Its structure is more amenable to project finance solutions and it has increased potential for innovative approaches to construction and financing.

2.26. Some incumbent TOs said that extending the use of competitive tendering would have limited benefit since they already use competitive procurement when they engage the supply chain. As noted in our draft conclusions, we consider that opening overall project development to competition will create scope for further efficiencies, such as through encouraging innovative and more cost-effective procurement, risk management, project management, financing and operations and maintenance strategies.

2.27. Some stakeholders noted that there may be instances whereby work undertaken at the preliminary stage of the design would be duplicated following transfer to the successful bidder under the late model. We will require the pre-construction to be completed in a way that it can be effectively transferred so that it doesn't need to be unduly duplicated by the competitive party. The competitive tender process provides strong incentives on competitive parties to minimise unnecessary costs. We will consider how to design appropriate incentives that would assist with this.

Responses to our proposals on interconnection, non-GB connections and multiple purpose projects

Question 6: views on our proposals to maintain a developer-led approach to interconnection, and to extend the cap and floor regime

2.28. The majority of respondents supported continuing with the developer-led cap and floor regime for interconnection. Some respondents identified possible areas for improvement to the regime. For example, it was suggested that additional weight should be placed on environmental, security of supply and operational benefits when assessing projects. As part of our assessment at the initial project assessment (IPA) stage of the cap and floor regime, we consider a range of evidence, including environmental and security of supply factors. We look at the underlying rationale for a project and combine a number of factors (including security of supply and operational factors, such as impacts on operation of the GB transmission system) to give a quantified estimation of GB consumer welfare and GB total welfare. As part of the qualitative assessment, we also consider hard-to-monetise impacts of interconnectors (including environmental and security of supply factors), in line with our IA guidance.

2.29. Other stakeholders noted that the distinction between interconnection and transmission should be removed, and that 'one regime' would be a better way to regulate both interconnection and transmission. Similarly, some respondents said that they think interconnectors should be tendered. As noted in chapter 1 of our decision statement, we consider that interconnection should remain developer-led because price signals between national markets can help inform efficient investment decisions.

2.30. If there was a move to a centrally-identified approach to interconnection then we recognise that competitive tendering could be applied to interconnectors. However, we note that using tendering could be more complicated due to the need to work with partners in the connecting country.

Question 7: views on on our proposals that non-GB generators pay for their connections without consumer underwriting

2.1. The majority of respondents supported our proposal of a default position that non-GB generators seeking to connect to the GB system pay for such connection, without underwriting by GB consumers. A number of stakeholders asked for further

clarity on how projects will be assessed. We do not think it is appropriate to develop the detailed arrangements for assessing non-GB connections now, given the uncertainty in the potential project pipeline. However, we would expect that in assessing such projects we would need to consider whether consumers are adequately protected from undue risk such that they were outweighed by the benefits of providing for consumer underwriting. This might include, among other things, that there are arrangements to recover appropriate transmission costs from non-GB generators, and that adequate financial securities are in place to protect GB consumers.

2.2. It was further suggested that in the event that underwriting is considered to be in the interests of consumers, non-GB assets could be suitable for competitive delivery. We recognise that should consumer underwriting be provided to specific projects, it may be in the interest of consumers to tender those links if they meet the criteria for the use of tendering. For more information on our default position regarding consumer underwriting of non-GB generator connection, refer to chapter 3 of our decision statement.

2.3. A minority of respondents opposed the principle of treating non-GB connections differently from other transmission assets, especially in the context of greater European integration. We consider that there are uncertainties in the arrangements governing the connection of non-GB generators to the GB transmission system. In GB, there are clear arrangements for recovering appropriate transmission costs from generators under the connection and use of system code (CUSC), through charging and requirements for financial securities. These do not automatically apply to generators located outside GB. While we agree that it is important to consider fairness, the consumer underwriting element of fairness cannot be considered in isolation. Other relevant factors, such as transmission charges and requirements for financial securities should also be taken into account.

Question 8: views on our proposal to provide regulatory continuity when the purpose of a transmission asset changes

2.4. The majority of respondents supported our proposal for multiple pupose projects (MPPs) that regulatory continuity be provided when the purpose of a transmission asset changes. Of these responses, some identified areas where specific detail should be provided. For example, more detail on the treatment of MPPs was requested, as well as consideration of how developers could be incentivised to consider the potential benefits of WNBI. A minority of stakeholders indicated a preference for a single regulatory regime for all assets, while one suggested adopting a flexible approach, considering projects on a case-by-case basis.

2.5. As noted in chapter 1 of our decision statement we consider there to be good reasons to maintain different approaches to the regulation of asset delivery. As with non-GB connections, we do not think it is appropriate to develop the detailed arrangements for MPPs until there is more clarity on project specifics.

2.6. Some stakeholders noted that transmission charging arrangements should also ensure that generators are not made worse off if they are connected to an MPP. We consider that the charging methodology must reflect the principles set out in the transmission licence and the CUSC. We encourage industry to continue to examine how to ensure the charging methodology is fit for an offshore integrated network and to bring forward any charging modifications required to facilitate this.