

Competitive Networks

March 2016

Issue 8



Dear Reader,

Welcome to our eighth newsletter. It's now called 'Competitive Networks' and aims to focus on news that's most interesting to our readers. If you no longer wish to receive our newsletter you can [unsubscribe](#).

After a recent restructure within Ofgem we've appointed a new Senior Partner for Networks – Jonathan Brearley. He was formally at the Department of Energy and Climate Change, and joins us in May. Steve Beel is the Partner leading all our competitive networks activity.

Recent highlights include granting an offshore transmission licence to Westernmost Rough, our consultation on onshore competition which closed in January and our announcement that our second cap and floor application window opens on 31 March 2016. Read more below.

If you have any comments or queries, [get in touch](#).

[Electricity Transmission](#)

[Electricity Interconnectors](#)

[Offshore Transmission](#)

[Contact us](#)

Offshore tenders and transactions news

Westermost Licence Grant



On 4 February 2016 [we appointed Transmission Capital Partners](#) as the OFTO for the Westermost Rough offshore windfarm. This project has a total installed capacity of 210 MW. The final transfer value for the offshore transmission assets was £156.7 million.

Future Tender Rounds



The next tender round, TR4 will launch in April 2016. TR4 will tender the transmission assets of the Burbo Bank Extension wind farm. We expect to launch TR5 in autumn this year, which will involve tendering up to five projects. We expect TR4 and TR5 to have a combined value of over £2 billion.

Certification review

On 4 February we published our final decision of [our certification review of Blue Transmission Walney 1 Limited, Blue Transmission Walney 2 Limited, Blue Transmission Sheringham Shoal Limited, and Blue Transmission London Array Limited](#). This was the first time we had applied some of the new discretionary provisions introduced by a recent change in legislation.

Exceptional event claims

We have recently made decisions on two exceptional event claims. On 7 January we published our decision to treat a [cable joint failure at Robin Rigg](#) in March 2015 as an exceptional event. On 24 February we concluded that a [busbar failure at Gwynt y Môr](#) in July 2015 was also caused by an exceptional event.



[See the figures and an interactive map for all the projects we've tendered.](#)

[More about the offshore transmission regime](#)

[See all of our recent publications on offshore transmission](#)

Onshore Competition

Consultation on proposals to introduce onshore competition

Our consultation on introducing competition in onshore transmission closed on 11 January. We are now reviewing responses and will publish details spring/summer. We have been discussing introducing competition to the onshore transmission network with stakeholders and held a [stakeholder event](#) on 7 December 2015. There was an excellent panel discussion and a lot of enthusiasm. Thanks to all who attended. We also attended recent select committee hearings on potential new legislation.

Interconnector news



Second cap and floor window

On 27 November 2015, we published [our decision to open a second application window](#) for the cap and floor regime. It will be open from 31 March to 31 October 2016. Projects must meet certain eligibility criteria and give at least three months' notice in writing before submitting an application.



Changing interconnector licences

On 4 February, we published a [consultation on proposed changes to the electricity interconnector licence](#), held by Nemo Link Limited and National Grid Interconnectors Limited and National Grid Electricity Transmission Plc's licence. These changes set the commercial framework for the cap and floor mechanism.



Financing

In December, we published an [open letter about financing electricity interconnectors](#) under the cap and floor regulatory regime and a letter of support from the European Investment Bank. This is to help consumers benefit from the broadest range of funding solutions.



Report by the National Infrastructure Commission

On 4 March, the National Infrastructure Commission published its first report, ['Smart Power'](#). For interconnectors, it recommends more interconnection with other EU countries where benefits are biggest. Investment decisions should sit primarily with the private sector but there's a role for government-led diplomacy to unlock

markets that offer large benefits to UK consumers.



Supply Chain Plans

We recently [published the first iteration of the supply chain plans](#) for the FAB Link, IFA2, Viking Link and Greenlink interconnector projects. We think these can help encourage a long-term sustainable supply chain for interconnectors and are keen to engage with anyone interested in these reports.

Other developments



[RIIO Performance Data](#)

On 10 December 2015, we published the RIIO Electricity Transmission Annual Report 2014-15. This reviews information received from onshore electricity transmission companies for the second year of RIIO-T1 (2014-15). It looks at performance against outputs each licensee committed to and compares actual costs incurred, and forecasts for the whole price control period against their allowed revenues.

[View our annual report](#)



[Interest During Construction](#)

For offshore transmission assets built by offshore generators, Ofgem assesses and determines the final transfer value once assets are built.

An efficient cost of capital for constructing the assets is applied during the relevant period by allowing for Interest During Construction (IDC). We recently decided that the IDC cap rate for 2016-17 is 7.44%.

[View our decision](#)



[EPC-style contracts](#)

In November 2015, we published a letter on the principles we consider should inform an Engineering, Procurement and Construction (EPC) style contract offered by an offshore generator developer (generator) as part of an OFTO build tender.

This guidance helps generators prepare these contracts under the OFTO build: Generator EPC tender option.

[EPC Guidance Letter](#)

Partnership Awards 2016

We are pleased to announce that Ofgem's Competitive Networks, Networks Division has been shortlisted for the category 'Government PPP Promoter of the Year' for the Partnership Awards 2016. This recognises our work across the OFTO, interconnector and onshore competition regimes. Winners will be announced 12 May.
