

Jonathan Brearley – Senior Partner, Networks, Ofgem

4th September 2017

BY EMAIL ONLY TO: RIIO2@ofgem.gov.uk

Dear Jonathan

Open Letter on the RIIO-2 Framework

As part of the Transmission Capital Partners consortium, Transmission Investment manages one of the largest offshore electricity transmission portfolios in terms of the capacity of offshore wind connected. Our managed portfolio of Offshore Transmission Owner (OFTO) assets includes the connections to the Robin Rigg, Gunfleet Sands, Barrow, Ormonde, Lincs and Westermore Rough offshore wind farms - a portfolio of over 1000MW (circa £800m in capital employed).

Transmission Investment is leading, in partnership with the French national grid company RTE, the development of a proposed 1400MW HVDC interconnector between France and Britain via Alderney ("the FAB interconnector project"). This project was granted cap & floor regulatory treatment in 2015 and is scheduled to commence construction in the 2017-18 period.

Transmission Investment remains a strong advocate of introducing competition into the delivery of onshore transmission and we continue to support the development of the required arrangements *inter alia* through industry groups, responding to consultations and, when called upon, providing evidence to parliament.

Our response to the open letter focuses on this latter area. You note in the letter that *"In RIIO-2, we will consider whether the scope of competition should be expanded to include the majority of new, high value and separable projects in the onshore sector, and how third parties can bring in new ideas to solve network system problems"* (Q30).

We continue to be fully supportive of expanding competition in the onshore transmission (and distribution) sector to include all new, high value and separable projects. We understand that in order to implement this in the form envisaged via the Extending Competition in Transmission (ECIT) project, primary legislation is required and that securing parliamentary time for this is difficult at present. However, we would encourage both Ofgem and BEIS to keep looking to secure this parliamentary time so that the benefits of competition as established by the ECIT project can be realised by the consumer. The measures agreed to deliver greater independence of the SO will go a long way to support this.

In the absence of parliamentary time for primary legislation we are supportive of alternative measures to introduce competition and to gain at least some of the benefits that competition can bring (e.g. if not procurement and construction then at

least in financing and O&M costs as per the OFTO regime). We are therefore supportive of the recent consultation on alternative ways of using competition to deliver consumer benefits on the Hinkley-Seabank project and we will be responding in detail to that consultation in due course.

We also note that information revealed by completion, including construction costs and financing costs, can be invaluable in determining a fair return for a regulated monopoly network company, and how Ofgem can ensure that returns remain legitimate in the eyes of stakeholders (Q11).

If you would like to discuss any of the comments above please feel free to contact me.

Yours faithfully



Chris Veal
Managing Partner