

TRANSMISSION CAPITAL PARTNERS

James Norman
New Transmission Investment, Systems and Network
10 South Colonnade
Canary Wharf, London
E14 4PU

7th February 2019

Dear James,

Consultation on Orkney transmission project: Final Needs Case and Delivery Model

Transmission Capital Partners 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, Westernmost Rough and Dudgeon offshore wind farms - a portfolio of circa 1.5GW (£1.1bn in capital employed).

We remain strong advocates 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 such as this one and, when called upon, providing evidence to parliament. I am also personally pleased to have the opportunity to participate in the ECIT Industry Group.

We have only responded here to the two specific questions which relate to the suitability for competition of, and the delivery model for, the Orkney transmission project (the "Project").

Suitability for competition (question 7)

We agree with Ofgem that the Project meets the criteria for competition of being 'new', 'high value' and 'separable'. The Project is clearly new, at £260m it easily exceeds the £100m threshold, and is also separable. With regards to this last point the system is very similar to some of the early OFTO systems with the notable exception that the generation substation is onshore (Finstown on Orkney) rather than being on an offshore substation platform. In some respects it is much simpler than the projects now being tendered under the OFTO regime.

Delivery Model (question 8)

We agree that given the continuing delay in the primary legislation necessary to implement the full CATO model, this model may not be available in time, and therefore the SPV model is the only competitive model that could be open for third parties to finance and deliver the Project.

We agree that if the Orkney project needs to be ready for energisation towards the end of 2022, then an SPV tender would need to have been devised and run by early 2020. This is based on the longest lead item being the manufacture and installation of the 220kV cable and on our contacts with two leading cable suppliers.

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We are not sure from the consultation document why it should not be possible to have completed an SPV tender by early 2020. We assume that this is because the regime is not yet fully developed and so a tender process could not start until mid-2019 at the earliest (or possibly even later).

However, we urge Ofgem to keep the SPV option under consideration as the outcome of Orkney renewable project consenting processes and 2019 CfD auction results, impact on the Project need, and how quickly the development of the SPV model progresses.

Indeed, the requirement for this consultation highlights the need to press on with the development of the SPV model so that it is ready to be used as soon as possible, and so that the value for the GB consumer that Ofgem identified in its September 2018 Impact Assessment can be realised.

In general, there will be a drive to make go/no-go decisions on the funding of such projects as late as possible in order to reduce the possibility of inefficient investment. Our understanding is that at present, the monopoly TOs are able to tender projects in advance of this decision, indeed in advance of the decision on the delivery model, thereby providing a delivery option which can still meet required project timescales even with a late go/no-go decision. It would be helpful if Ofgem, perhaps supported by the ECIT Industry Group, could give consideration as to how CATO or SPV tenders can be run so as to provide delivery options in similar timescales, but without exposing bidders to the costs of participating in tenders which do not result in project award.

Yours sincerely,



Chris Veal

Director, Transmission Capital Partners GP Limited,
On behalf of Transmission Capital Partners Limited Partnership