

Electricity Transmission

November 2015

Issue 7



Dear Reader,

Welcome to the seventh issue of the Electricity Transmission newsletter. We've reached many major milestones since the last one in March.

We completed tender round (TR) 2 of the offshore transmission tendering process in the summer and selected the preferred bidder for the final project in TR3. We have also now completed our initial project assessments for all five interconnector projects in the first cap and floor window.

Other news includes: a consultation on extending competition in transmission and a potential change in indexation used for OFTO and interconnector projects.

If you have any comments or queries, feel free to get in touch via the link on the right hand side.

[Electricity Transmission](#)

[Electricity Interconnectors](#)

[Offshore Transmission](#)

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Offshore tenders and transactions news

Completion of TR2

In August 2015 we granted the licence for West of Duddon Sands (WoDS) offshore windfarm's transmission assets.



WoDS Transmission plc now owns and operates the £269 million transmission link to the WoDS windfarm.

This means that all projects in TR2 have [now reached financial close](#).



All Preferred Bidders Selected for TR3

In May 2015, [we appointed Transmission Capital Partners](#) as the preferred bidder to become the OFTO for the Westernmost Rough offshore windfarm.

This project has a total installed capacity of 210 MW and the estimated value of the transmission assets is £172.3 million.

In September 2015, [we appointed Balfour Beatty Equitix Consortium](#) as the preferred bidder to become the OFTO for the Humber Gateway offshore windfarm. This marked the end of the procurement of OFTO projects in TR3. The Humber Gateway offshore windfarm has a total installed capacity of 220 MW and its transmission assets have an estimated value of £173.3 million.

Since the offshore transmission regime was set up by Ofgem and DECC in 2009, it has delivered £2.6 billion of investment and significant savings for consumers. A further £350 million of investment will come through the completion of TR3.

Ofgem currently expects the next tender round, TR4, to launch in the first half of 2016, with TR5 in 2017. Together they are expected to comprise up to six OFTO projects with a combined value of around £2 billion.



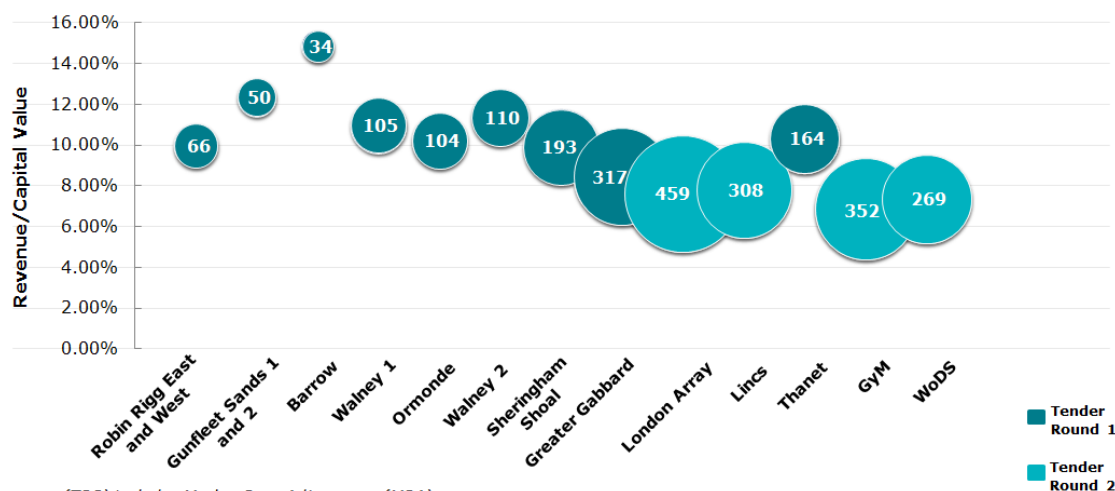
[See the figures and an interactive map for all the projects we've tendered.](#)

[More about the offshore transmission regime](#)

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

Tender Revenue Stream/Transfer Value

OFTO projects Revenue/Capital Value and Final Capital Value (£m)



The chart above shows the Tender Round 1 and 2 projects in terms of their Tender Revenue Stream as a proportion of the Transfer Value, demonstrating the continuing competitiveness of the regime. The average Tender Revenue Stream to Final Transfer Value for Tender Round 1 projects was 10.1%, falling to 7.4% for Tender Round 2 projects.

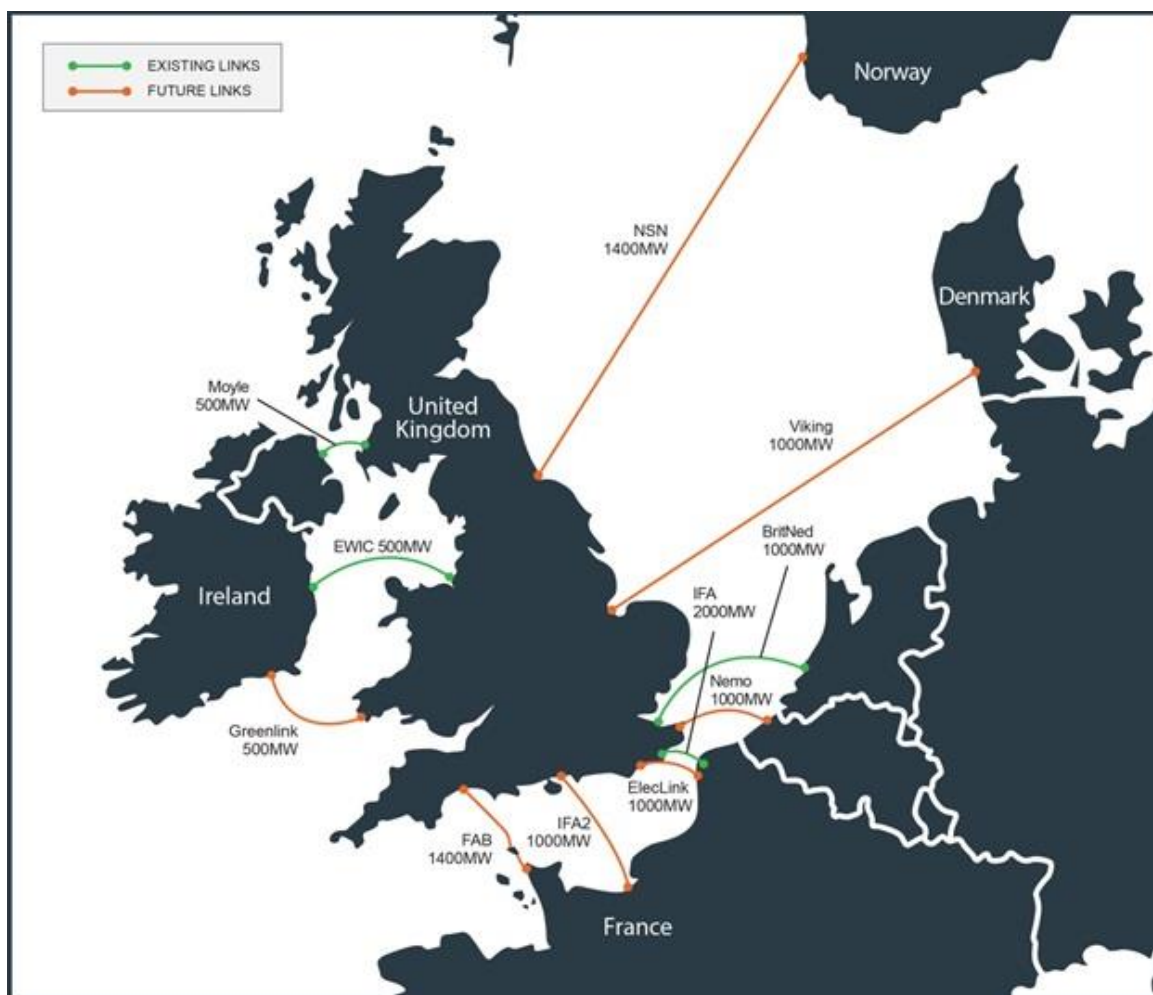
Interconnector news

First cap and floor window

We have finished our initial project assessments of all five projects that applied for the cap and floor regime as part of our first application window. We have decided to grant all projects a cap and floor regime in principle. This includes our recent decision to grant a cap and floor regime in principle to the [Greenlink project](#), after we considered the additional evidence received through our original consultation. The other projects are [NSN](#), [Viking Link](#), [IFA2](#) and [FAB Link](#).

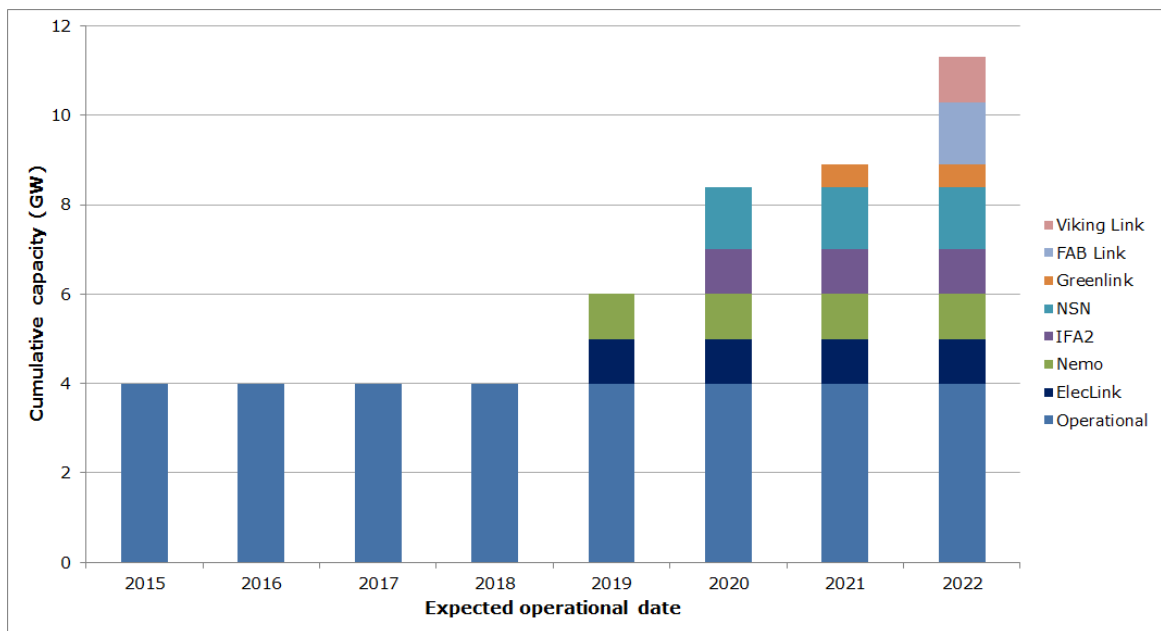
The map below shows the location of these projects, as well as the proposed [Eleclink project](#).

Existing and future interconnector projects



Cumulative capacity of electricity interconnector projects

If all of the projects mentioned above go ahead it would substantially increase GB electricity interconnector capacity, as shown in the chart below. We are aware of the challenges that future interconnectors face in achieving the connection dates shown in the chart. The expected delivery dates reflect our current expectations of current project timetables. Further information is provided on the [interconnector webpage](#).



Second cap and floor window

We had initially expected the deadline for applications for the second cap and floor window to be September 2015. Having considered information from stakeholders [we decided to delay the second application window](#). We will publish our updated plan for the second window shortly.



Financing - cap and floor

We [published an open letter](#) in May inviting interested parties to engage with us on the financing of electricity interconnectors under the cap and floor regulatory regime. The purpose of this is to help consumers benefit from the broadest range of funding solutions.

Other developments



Consultation on Onshore Competition

We recently published a consultation on proposals to introduce competition in onshore transmission.

It covers what types of



Retail Price Index (RPI)

RPI has been used for indexation in network price controls since privatisation; however, the UK Statistics Authority and the Office of National Statistics have



RIIO performance data

We monitor how the Electricity TOs perform against the outputs agreed through the RIIO price control.

project will be tendered and how we will select them, how the tender process will work, the revenue and incentives for successful bidders, and who will be able to compete.

We welcome your views on it.

[View our consultation](#)

indicated that other indices might better serve consumers and investors. Alternative indices are likely to be more accurate, as well as consistent with international best practice.

We have just issued an open letter regarding the indexation of future OFTO and interconnector projects only and would welcome your views.

[View our open letter](#)

We have received their data for performance during the second year of the control period, and will be publishing our view on this in the coming weeks.

This data, as well as links to the companies' own annual performance reports, is available via the button below.

[RIIO performance data](#)

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Making a positive difference
for energy consumers

