

Our Ref: DT/RD GRP/DEV/229

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Dear Mr Parker

INTEGRATED TRANSMISSION PLANNING AND REGULATION (ITPR) PROJECT: DRAFT CONCLUSIONS RESPONSE

Banks Renewables is a renewable energy developer and operator mainly focussed on the onshore wind market. Thank you for this opportunity to comment on your draft conclusions.

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

The enhanced SO role you propose should improve support to the future development of the GB network. There is though little discussion in your proposal over the actual decision making process. The enhanced role of the SO as proposed seems to be focussed on supporting and advising Ofgem and the TOs in their decision making.

The enhanced role of the SO should be implemented with a key deliverable to improve the quality and speed of decision making and not be allowed to be an additional reason for delay in investment decision making.

Question 2: Are there other roles that you think an enhanced SO could or should undertake in order to better support the development of an efficient transmission and interconnector network?

No comment.

Question 3: What are your views on the specific obligations for TOs that might be needed to support our proposed enhanced SO role?

Have the regulatory incentives on the SO been considered as part of this process? It must be clear on how the TOs incentives and SOs incentives interact especially as National Grid will have both a TO and SO within their company.

Question 4: What are your 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?



The SO should be in a good position to lead these gateway assessments and provide a balanced view on wider network benefits. At a high level this looks like a good idea.

Question 5: What are your views on our proposal to extend competitive tendering to new, high value, separable onshore assets?

There are arguments for and against this proposal. On the positive side the open competitive approach may drive towards an efficient solution. The benefits could possibly be in alternative financing approaches, increased or innovative construction capability and a different risk profile. On the negative side there are risks in using new entrants and in the effects on the existing TOs. Would this in practise mean that the 'best' projects are cherry picked and leaving the existing TOs with an older and more complex asset base, costing more per unit. Does it also weaken the TOs procurement and financing capabilities?

In proposing this approach is this a recognition that the existing regulation of TOs does not get best value on transmission assets? Surely the scale of financing and buying capability with regulatory drivers on efficiency should make existing TOs the most efficient at delivering these projects. Therefore should we not be looking at improving existing TOs performance rather than removing large asset projects from their portfolio? We have doubts that tendering high value, separable onshore assets is the most effective route to an overall improvement in efficiency.

We are surprised that there is no mention of expanding a version of the Competition in Connection approach (presently in effect for distribution connections) to transmission connection construction under this ITPR project. There would need to be consideration of how projects are funded due to the 'shallow' connection charging regime at transmission and an adoption process put in place. This is a model that has had some success in introducing competition in connections in distribution. We would ask that this is considered as part of this project.

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

No comment.

Question 7: What are your views on our proposal that non-GB generators pay for their connections, without consumer underwriting?

From a GB perspective this seems a fair approach. Is this likely to be impacted at all by European codes?

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

Certainty supports investment so your proposals seem a practical approach to minimise uncertainty by providing regulatory continuity.

Question 9: What are your views on our assessment of conflicts of interest?

The SO as part of National Grid is already very powerful within the power generation, transmission, distribution and supply industries. Enhancing the SO role further only increases the power and influence of National Grid based on its role, people and the data it holds. This will have to be monitored and managed.

Question 10: What are your views on our proposals for mitigating conflicts of interest?

The regulatory incentives under licence conditions and RIIO will drive National Grid's performance as an SO. As per question 3 above it must be clear on how the TOs incentives and SOs incentives interact especially as National Grid will have both a TO and SO within their company.

Question 11: Do you think independent scrutiny of the SOs activities (eg through an expert panel or auditors) would provide value for money?

For the reasons in relation to the power and influence of National Grid as a SO detailed above we believe that independent scrutiny of the SOs activities will be essential and provide value for money.

We hope this response is helpful as you review your next steps.

If you would like to discuss please give me a call.

Yours sincerely



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