

Offshore Networks

OTEG Meeting

3rd July 2006

Licence Scope / Allocation

Objectives

- Of fundamental importance to success of the offshore 'project'
- Objectives
 - prompt delivery
 - economic delivery and ongoing operation
 - minimise environmental impact of transmission assets
 - enduring framework that can be applied in future
 - minimise changes to existing market framework and associated documents
- Main options
 - licence zones
 - point to point
 - whole offshore area
 - extend existing TO boundaries

Options

- All options can work within current GB market framework
 - one GBSO
 - a number of TOs

- Exclusively point to point will result in sub-optimal outcome in many cases
 - piecemeal approach to onshore and offshore works
 - unnecessary impact on environment
 - complexity of delivery increased significantly
 - costs higher than necessary

- Whole offshore area
 - puts all eggs in one basket if licensed to one TO
 - will encourage point to point approach if all licences cover whole area

- Extending existing TO licences
 - no competition for TO services and very limited ongoing comparison
 - severely restricts the number of potential players
 - finance/delivery risk for all R1 and R2 offshore wind connections
 - risk of legal challenge

Favoured option

- A zonal approach to licensing meets all of the objectives
 - one TO for each zone
- Facilitate a joined up approach
 - offshore works
 - onshore connections works
 - phasing of work to line up with timing of individual developments
 - enable meaningful engagement between TO, developers and other stakeholders
- Zones determined based on
 - proximity of generators to each other
 - proximity to onshore network
 - possible that there could be single generator in some zones
 - possible to have a number of point of point connections in one zone
- Optimum outcome
 - maximises amount of generation that can be accommodated
 - avoid unnecessary proliferation of assets
 - maximise utilisation of assets
 - facilitates competition and comparison between TOs

Allocation

- Time of the essence
 - enable TO to engage with developers and other stakeholders as soon as possible
- Process will depend on number of bidders
- Favour a process as simple as possible and implemented as early as possible
- Bidders assessed against various criteria (such as):
 - ability to meet licence obligations
 - ability to deliver promptly
 - technical capability (perhaps involving submission of high level design and outline costs)
 - while taking account of objective of having more than one TO
- Need early output on fundamentals of price control
 - regulatory framework must attract required investment

Licence allocation (continued)

- Need to provide option for developers to progress in advance of appointment of TO
 - enable adoption by TO

- Output from work on technical rules critical
 - providing greater understanding of what needs to be built
 - reduce risk of progressing now

Conclusions

- Zonal approach best delivers all objectives
- Time of the essence
 - TOs in place as soon as possible
- Allocation process kept as simple as possible
- Early clarity on fundamentals of price control framework
 - need to attract necessary investment