

Thoughts on Offshore Network Regulation

Lewis Dale

nationalgrid

Pre-appointed or competitively appointed TOs offshore?

- ◆ Pre-appointed TOs permit connection/access application process to proceed as per onshore
- ◆ A competitive process for TO appointment will take time and require modified agreements (to reflect parameters determined in competition)
- ◆ What are benefits of competitive TO appointment?
- ◆ Do they outweigh disadvantages of time and complexity?
(For developers to assess)

Benefits of competitive TO appointment

- ♦ Any benefits will need to be additional to the competitive pressures that will arise by default:
 - ♦ Competition in procurement
 - ♦ Competition from developer self-build
- ♦ Potential areas are:
 - ♦ Total cost – requires firm prices. Risk premiums!
 - ♦ Financing cost – how separated from total?
 - ♦ Performance (strength of undertakings on delivery time, availability, repair time, etc) – interacts with return – must consider as package
- ♦ Can efficient firm prices for comparable services be provided at point when TO involvement required?
- ♦ Can TOs be assessed in isolation from current developer activity?

Competition, adoption & facilitating timelines

- ◆ Streamlining of the adoption process can:
 - ◆ Facilitate timely connection & project development
 - ◆ Enhance competitive pressures on connection pricing
 - ◆ Provide information for price controls/regulation
 - ◆ Reduce regulatory risk

Components of adoption process

- ♦ As well as achieving basic technical standards, streamlining the adoption process will require:
 1. Methodologies for determining:
 - ♦ Development costs incurred
 - ♦ Value created from sharing & intellectual property created
 - ♦ Basic performance levels achieved & associated operating cost implications
 2. A standard set of options for transferring assets to TOs
 - ♦ Linkage of enduring charges to transfer values?

Regulatory regime components

- ◆ Standard incentive forms for TOs (& GBSO)
 - ◆ RPI-X
 - ◆ Reliability incentive
 - ◆ Outage co-ordination incentive

Pre-appointed or competitively appointed TOs offshore?

Pre-appointed offshore TO

Can use onshore connection & access application process (i.e. 3 month offers)

Default competitive pressures:

- Procurement
- Developer own build

Competitively appointed TOs

Longer & more complex connection & access application process

Additional competitive pressures? Are there any?

Enhancement of adoption process facilitates time lines and competition

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