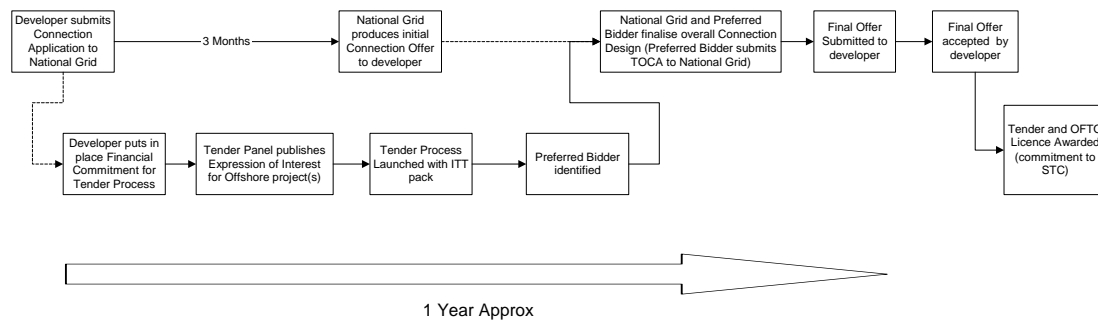


# System Operator – Transmission Owner Code (STC) Working Group

20 February 2008

## STC Accession Process – Policy Proposals

A key aspect of the proposed Offshore Transmission regulatory regime will be ensuring that the newly licensed Offshore Transmission Owners (OFTOs) will be able to successfully accede to the STC. It is currently envisaged that the following high level process will be followed in the appointment of the OFTO (diagram developed from the recent Ofgem Offshore Electricity Transmission – Regulatory Policy Update<sup>1</sup>):



As can be seen from the above diagram the actual award of an Offshore Transmission Licence which will bind the OFTO to the STC will likely not occur until after the overall connection design has been agreed and signed off by the developer seeking connection to the GB Transmission System. As a consequence of this it seems that any accession process may not have to verify that key aspects of the connection design capability of the OFTO are in place as this will have been investigated and proven through the Tender process.

Therefore it seems likely that the majority of the Accession process in the STC will be concerned with ensuring that the OFTO has the appropriate capabilities for the enduring operation of its Offshore Transmission System. However for the purposes of completeness this paper discusses all of the capabilities (and potentially STC obligations) that the OFTO should have.

The accession process will be defined by the key stages of the OFTO “life-cycle” from its award of a tender to construct an offshore transmission network, through the awarding of its Transmission Licence, through to the energisation and ongoing operation of that offshore transmission network. Alongside the Accession process given the time limited nature of an offshore transmission network, the decommissioning process and withdrawal from the STC of an offshore Transmission Licensee may also need to be considered. Firstly the accession process is considered by this paper.

## **Key Stages of Accession Process**

### **1. Prior to award of Transmission Licence to a potential OFTO**

*The capabilities expected of the OFTO at this stage are determined primarily by the ability of the new Transmission Licensee to be able to competently participate in an offshore auction and should it be successful in winning the offshore tender to be able to immediately participate in the process leading to a complete offer being submitted to the Offshore Generator. In the list of capabilities that follow it is unlikely that all will sit in the STC, some may sit in the offshore transmission licence and some could be proven through the tender process itself. The list is also almost certainly non-exhaustive.*

- The Offshore Transmission Licensee is a ring-fenced company with no interest in generation, supply, distribution or other [onshore] transmission networks.
- The Offshore Transmission Licensee meets an appropriate credit rating (or has in place a parent company guarantee)<sup>2</sup>.
- That the Offshore Transmission Licensee is obligated to keep all data it receives through the STC or auction process confidential.
- That the Offshore Transmission Licensee has the relevant Data Exchange Systems set up
- That the Offshore Transmission Licensee has the relevant Charging Systems set up (to be able to charge the appropriate party its fees in connection with the drawing up of a complete offer – e.g. application fees etc)
- That the Offshore Transmission Licensee has a fully effective Network Design Capability (to include the obligation to design in accordance with the relevant standards e.g. the GBSQSS etc)
- That the Offshore Transmission Licensee has a development plan in place to enable it to adequately project plan the construction of the offshore transmission network
- That the Offshore Transmission Licensee has a plan in place to be able to adequately commission the offshore network
- That the Offshore Transmission Licensee has a development plan for how it is to operate its network

Of the above capabilities it may be that the requirements to have a ring-fenced company and to maintain an appropriate credit rating (or have a parent company guarantee) may be licence conditions. The data confidentiality, data exchange capability, and charging capability obligations are likely to be contained within the STC.

The other obligations, to have a network design capability, and a plan to demonstrate the appropriate project management, construction, commissioning and operational capability could be STC Accession obligations which are backed of contractually through the proposed Tender Regulations, but likewise could form part of the requirements for a competent bid for an offshore network through the auction process. That is to say a competent bid

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<sup>2</sup> It is noted here that the recently released Ofgem Consultation on OFTO Licences does put forward the view that the requirement for an OFTO to maintain an investment grade credit rating is not appropriate for OFTOs.

<http://www.ofgem.gov.uk/Networks/Trans/Offshore/ConsultationDecisionsResponses/Documents1/SLC%20Way%20Forward%20Document.pdf>

should contain a complete design for the network and also contain the plans for the other necessary capabilities. If this were the case then they would not become a pre-requisite for the award of an Offshore Transmission Licence.

## **2. Following successful bid for Offshore Transmission Network**

*The key capabilities here are to demonstrate that the construction of the network can now proceed alongside the contractual obligations to complete the connection offer process (to be determined) alongside the GBSO, and other network operators affected by the connection application.*

- Discharge obligations to draw up “Offshore TO Construction Offers” and complete all obligations under connection process for OFTO.
- Implement plan to draw up project management capability \*
- Demonstrate network construction capability (either in house or through contractor) \*

\* - Subject to the offshore generator accepting its final complete offshore offer

## **3. Prior to Energisation of Offshore Transmission Network**

*The key capabilities at this stage are focussed on the successful energisation and ongoing operation of the offshore transmission network. Clearly these capabilities will only need to be demonstrated following a successful bid where the Offshore Generator accepts the final complete offshore offer made by GBSO.*

- Implement Plan for Commissioning capability
- Implement Plan for Operational Capability
  - Development of Services Capability Specifications
  - Demonstration of Outage Planning Capability
  - Demonstration of Switching Capability
- Demonstrate Investment Planning Capability; specifically a Maintenance Capability

## **Termination and/or Withdrawal from the STC**

Given an offshore transmission licensee is licensed for a single radial network at the end of the working life of the network termination and withdrawal provisions will need to be developed. Clearly this is one area that can be considered at a later date and need not be developed prior to the commencement of the new offshore arrangements. However there may be circumstances following commencement of the offshore transmission regime that will see Transmission Licensees wish to withdraw from the STC. This might occur, for instance where a Party has unsuccessfully bid for a number of offshore networks and decides that an offshore transmission business is no longer economically viable.

In these circumstances a Party will need to be able to withdraw from the STC framework in an appropriate manner, ensuring that all financial liabilities and any active obligations have been fully discharged. There may also need to be an emergency withdrawal procedure for instance if an offshore TO files for bankruptcy.