



Offshore Transmission Team
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Dear Offshore Transmission Team

**Offshore Electricity Transmission – Competitive Tender Process
6 October 2008**

BWEA wish to make a response to the current consultation on the Offshore Electricity Regime competitive tender process, released on the 6 October 2008.

Representing 450 corporate members, BWEA is the UK's leading representative for the wind, wave and tidal energy industry. Further information on the work and membership of our organisation can be found on our website, www.bwea.com.

The further clarity that the current consultation brings is appreciated, however understanding of the regime will depend on the details of the further consultation, due for subsequent release. We are keen to assist in the development of sections that require further information.

This latest document rightly acknowledges the need to balance cost and risk management. A concern has been that a bidding OFTO might focus on cost in order to win a tender, but that this could potentially result in less focus on delivery. We would ask that as the regime moves forward consideration of this balance remains at the fore to ensure that both low cost and appropriate function are obtained. Incentives and charges will ensure compliance, however consideration of OFTO performance at the tender stage is also needed. The challenge will be to include the requirements of generators, OFTOs and the consumer in the competitive process and deliver a technically efficient solution. To maintain the balance the regime has incorporated a certain amount of flexibility within the process and this is appreciated.

We continue to believe that a walk-through of the enduring process would be beneficial and would identify detailed points of difficulty in implementation of the regime and put forward solutions that satisfy all parties. We look forward to working with Ofgem, BERR and National Grid GBSO on this process.

We would like to put forward the following high-level points:

- We welcome the flexibility that is being built in to the regime. It may be necessary for early enduring projects, those progressing projects that do not expect to satisfy the transitional criteria, to commence their tender at the Go Active stage, to ensure that an OFTO is appointed in sufficient time to meet their connection date.
- We would like to see more information on the methodology of the RAV assessment. This will be crucial to the tender process and those preparing to bid will appreciate as much detail as possible well in advance of the go-active date.
- Flexibility relating to when and to whom sea-bed surveys are charged is appreciated, however a concern remains that costs at the pre-qualification stage could cause difficulty if projects are subsequently terminated. These considerable up-front capital costs need to be clearly allocated between parties based on risk.
- Regarding adjustments to the revenue stream, we are pleased that late delivery payments from the onshore transmission operator to the OFTO are being considered. At present the mechanism is not set, but we consider the sharing of risk is important. In general risks need to be shared across the whole system. A greater ability to build onshore grid in advance of a project would go a long way to prevent late delivery and the resultant charges. Revenue adjustments should only seek to incentivise delivery, a failure to obtain consents should not give rise to revenue adjustments where the OFTO has undertaken best endeavours to obtain its necessary consents.
- A lack of clarity on design standards mean that parties developing projects now are trying to predict the standards required for economic and efficient offshore transmission designs. When assessing the solution used, the focus should be on the process taken to ensure cost effectiveness in parallel with the more deterministic SQSS. It should not be the case that the engineering solution is clear but more complexity is added in terms of project risk, adoptability of an asset and stranding of investment.
- It may be difficult for a prospective OFTO to submit detailed financial information at the invitation to tender stage which will be robust enough for the entire tender process. We would expect the financial data to be improved upon and firmed up over the course of the tender process.
- The timeline for enduring projects needs to be further developed. With the advent of a zonal approach by The Crown Estate and the existence of consortia, there is an opportunity to incorporate different methods that zones could adopt. While competition would need to be respected, it may be possible to adapt timelines or approaches to consider more integrated bids and we welcome recognition of this and the flexibility to accommodate bids of this type into the process. One possibility is that tender windows could be separated geographically as well in time.

- In paragraph 6.25, it is expected that NGET will take on an assessment role of the technical proposals of an OFTO. Whilst this may be useful and necessary in terms of coordinating transmission solutions, NGET may be limited in their ability to do this on competition grounds, as the unregulated part of National Grid may want to bid to be an OFTO for the same project and due to the implications of making a value judgement on a potential competitors bid.

This consultation sets out a process for transitional projects and begins to outline the process for enduring projects. We support the further guidance that this work brings and the logic of the tender regime, however there remain several areas that require further work and we want to help form those as part of the next consultation. We remain keen to assist in any other way we can, both within or outside the formal consultation process.

Yours faithfully,

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BWEA