

Mr Richard Clay
Senior Manager
Offshore Transmission Team
Office of Gas and Electricity Markets
9, Millbank
London
SW1P 3GE

Your Ref: 142/08; 142/08a; 142/08b

14th November 2008

Dear Richard,

Offshore Electricity Transmission: Competitive Tender Process
Ref: 142/08

Please find attached Warwick Energy Limited's (Warwick's) written comments in response to the above consultation document on Offshore Electricity Transmission.

Our detailed comments are made separately in relation to various sections of the consultation document and associated annexes.

The latest consultation document provides welcome detail, and some revisions which help clarify some aspects of the proposed regime. However a number of critical areas concerning the tender process are highlighted in our response and include:

- There is little prospect of cost or network sharing between projects – i.e. projects will continue to be designed on a radial standalone basis;
- The lack of an overall design stage within the process to ensure that best value network designs are used for OFTO networks;
- Lack of clarity on how technical content of the ITT is to be developed – and what level of detail will be included;
- How bids are to be compared on a levels playing field when the range of technical solutions could be diverse;
- The timescales taken by the process. Even in the transitional regime a minimum of a full year is envisaged between prequalification and issue of an OFTO License.
- The proposed 4 month ITT response in the enduring regime is unlikely to allow bidders sufficient time to provide firm costs;

- Compliance issues and adoptability criteria for equipment – there is no means of identifying or resolving these for transitional projects within the process. These will add risk and thence cost to bidder's submissions.

In spite of previous consultations there is still uncertainty regarding Ofgem's OFTO of last resort proposals for transitional projects. It remains unclear whether developers will be required to enter the tender process in order to qualify as OFTO of last resort. Clarification of this is required urgently. Warwick still believes that it would be simpler to allow for existing asset owners to be granted OFTO of last resort status without having to bid for the assets. Indeed the simplest approach would be to allow developers to apply for exemption from these untried arrangements if they so wish. No explanation has been given as to why such a common sense option has been discarded.

Warwick also wishes to express many general concerns regarding the overall enduring proposals. Despite feedback from previous consultations the proposals still appear to be overly complex – particularly in terms of the proposed connection application and tendering processes. Warwick continues to have real concerns regarding both of these areas, which appear complex, costly, time consuming and difficult to manage.

Warwick believes there remain major difficulties with the entire OFTO proposals. Indeed we currently believes that, if a change is needed, extending the existing onshore transmission franchises under the 'connect and manage' ethos would best match the stated aims of connecting major increases in offshore wind capacity in a timely and efficient manner.

Despite the numerous fatal flaws in these proposals Warwick has made a number of constructive suggestions in the attached paper. These could help limit the damage if these proposals are imposed on a reluctant industry.

I trust the comments are clear however please do not hesitate to get in touch if you require any clarification on any of the points made.

Yours sincerely,

Mark Petterson
Director
Warwick Energy Limited