

OFTOs, qualifying bidders for  
offshore transmission assets and  
other interested parties

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Dear Colleague

**Consultation on the proposed Offshore Transmission Owner Regulatory  
Instructions and Guidance for licences granted in transitional tender round 2**

Amended Standard Condition E12 – D1 (Offshore Regulatory Reporting) of the offshore transmission licence sets out the requirements for the collection of specified information under the regulatory instructions and guidance (RIGs) published by the Gas and Electricity Markets Authority (the “Authority”). The RIGs require licensees to provide the following information annually to the Authority:

1. An audited revenue return.
2. A forecast revenue return.
3. A cost reporting pack.
4. Transmission system availability incentive information.
5. Incremental capacity adjustment information.

The RIGs specify the information to be provided in order to comply with this license condition. The RIGs also detail the administrative arrangements for completing and submitting this information. The draft RIGs and associated reporting templates published alongside this letter are for OFTOs, qualifying bidders and other interested parties to review.

We plan to issue these RIGs in March 2014. The draft RIGs being consulted upon here will only apply to the licensee of a licence granted in transitional tender round 2 (TR2). The existing RIGs published on 26 April 2013 shall continue to apply to licensee’s in respect of licences granted under transitional tender round 1 (TR1). The reason for having separate RIGs applying to licences for TR1 and TR2 projects is that the licence revenue formulae differ. Each offshore transmission owner (OFTO) for TR2 projects will be obliged to report as required by the new RIGs from the date of licence grant.

In order for the Authority to comply with its statutory duties regarding better regulation, it is considered preferable to consult on these RIGs prior to their implementation. Therefore all interested parties are invited to respond with their comments on the proposed RIGs.

This consultation will be open until 14 February 2014. This represents a period of eight weeks and 3 days which covers a holiday period and three bank holidays. This period is considered to be consistent with Ofgem’s commitment to aim for eight week consultation periods. The three extra days allow for the three bank holidays.

We are particularly interested in feedback on sheets 1, 2, 4a, 4b, 5a, 5b and 5c of the associated Excel workbook reporting templates. The formulae in the spreadsheets are intended to represent the formulae in the TR2 licence. We would welcome comments on whether the outputs are as you would expect.

The licence identifies the purpose of the RIGs as allowing the Authority to 'monitor effectively the revenue of the consolidated transmission business'. In particular the monitoring involved includes:

- ensuring that the revenues charged are in line with the TRS bid (as adjusted for incentives)
- monitoring OFTO availability performance to calculate the incentive based revenue to which the OFTO is entitled
- monitoring OFTO costs to inform future cost assessments and tender evaluations
- monitoring OFTO financial health
- providing a base line set of data to be available in the event of OFTO financial distress.

Part E of amended standard condition E12 – D1 provides for modifications to be made to the RIGs. Over time it may be necessary to amend the RIGs to adapt to the developing regulatory environment for offshore transmission. Until such time as there is a modification the initial set of RIGs will endure.

We invite comment on these proposed RIGs. Any consultation responses should be made in writing by 14 February 2014. They should be sent to Neil Roberts at Ofgem E-Serve, 9 Millbank, London, SW1P 3GE or by email to [neil.roberts@ofgem.gov.uk](mailto:neil.roberts@ofgem.gov.uk).

Yours sincerely

**Min Zhu**  
**Associate Director, Offshore Transmission**

**For and on behalf of the Authority**