

# **Offshore transmission networks – regulation for Round 3 and beyond**

Robert Hull

Director, Regulatory Services

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## Introduction – current proposals

- Regulatory regime for offshore transmission
  - Offshore transmission will be regulated
  - Offshore generator connection requirements will set the scope and trigger the selection of an Offshore Transmission Owner (OFTO)
  - Ofgem proposes a 20 year price control with performance incentives, with licenses awarded by competitive tender
  - Light handed regulatory approach – long term, low risk
- Competitive tender process
  - Tenders run by Ofgem – consultation recently published
  - Expected to deliver cheaper, timely and fit for purpose connections, with flexibility for the future
  - First tenders due to start in 2009 for transitional projects i.e those constructed or under construction (Rounds 1 and 2)
  - Opportunity for new entrants

## Development of offshore networks in Round 3

- Two possible ways in which development of transmission assets for Round 3 offshore projects could occur:
  1. Point to point connections
    - Generator specific connections between a generator specified point offshore and a point onshore
    - Phased connections requirements by individual generators
  2. Integrated offshore transmission networks
    - Network designed to meet a number of generation connection/modification applications
    - Reinforcement of GB transmission system by links between offshore transmission networks

## Point-to-point tenders



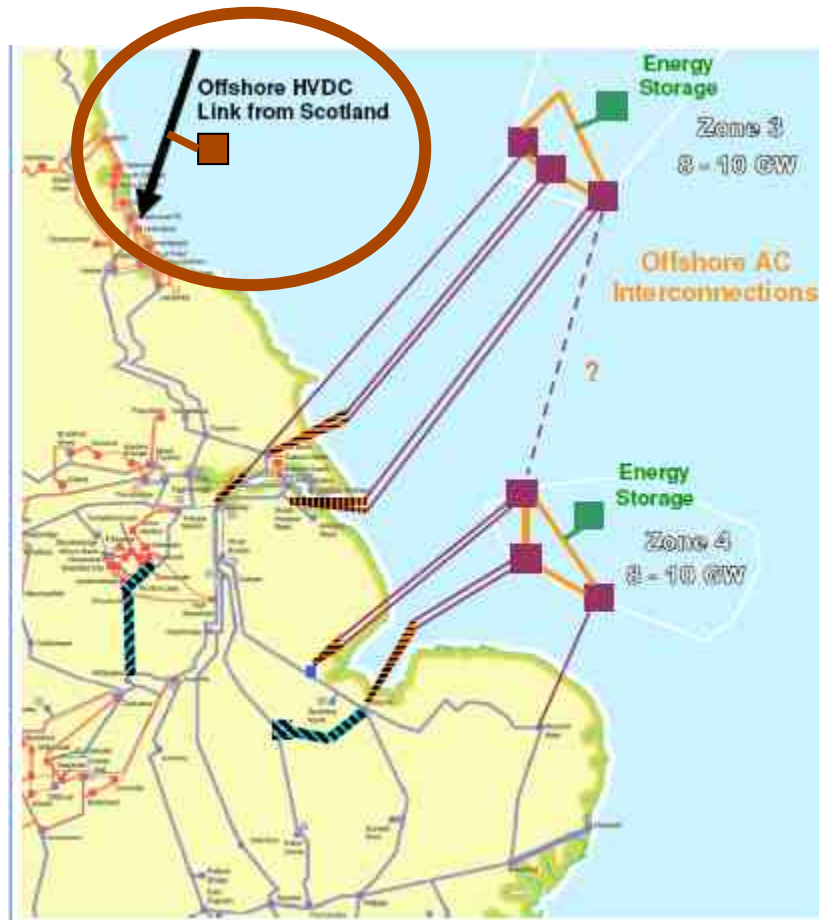
- Allows generators to proceed individually and avoid delays due to third parties
- High capacity, low redundancy HVDC connections may be exploited to minimise network costs for each point to point connection
- Generator could request a phased connection

## Integrated network tenders (1)



- Scope for offshore generators to combine connection applications due to:
  - Crown Estate approach to leases
  - Strong commercial incentives
- Regime also provides scope for new offshore inter-network connections to be developed by an existing OFTO (up to 20% additional cost before further tender triggered)

## Integrated network tenders (2)



- Scope for offshore generator connections to have more than one onshore connection point
- Subject to competitive tender process to select OFTO
- Offshore transmission network will form part of GB transmission system once contracted

## How the regime supports integrated development (1)

- Proposed offshore transmission regime reflects onshore arrangements
  - Require GBSO to make relevant network and user information available in SYS
  - Require GBSO to make assessment at the initial stage of the connection application about the likely offshore transmission network requirements
  - Allow a generator to request a connection offer from the GBSO for a planned expansion over time
  - Allow for clustering of projects to achieve an efficient transmission network design solution

## How the regime supports integrated development (2)

- Generator and OFTO **development costs** e.g. seabed surveys are **recoverable**
- Onshore preparatory works being considered as part of TAR incentive work
- Ofgem is **flexible** in determining **which connection types to tender** (point-to-point, integrated) and will be informed by generator requirements and GBSO assumptions
- Where integrated **investments** are proposed, Ofgem would **assess the need** and tender on that basis, including that the investment delivers appropriate connection arrangements for the requesting user(s)

The background features a collage of images: solar panels on the left, a hand holding a document on the right, and a glowing lightbulb in the center. A blue header bar is at the top.

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