BY EMAIL AND LETTER

26 November 2010

Yvonne Naughton
Offshore Transmission
Ofgem E-serve
Cornerstone
107 West Regent Street
Glasgow
G2 2BA

Kristina Dahlström
Department of Energy and Climate Change
4th Floor Area D
3 Whitehall Place
London
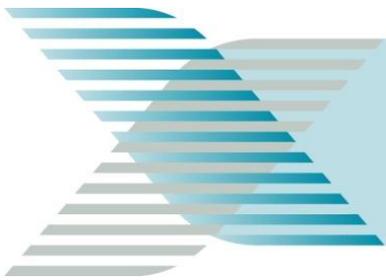SW1A 2AW

Dear Yvonne, Kristina,

Response to your consultation: Offshore Electricity Transmission: Implementing further refinements to the enduring regime

I attach ELEXON Limited's response to the above consultation.   Please do not hesitate to contact my colleagues Dean Riddell or John Lucas if you wish to discuss any aspect.   Their contact details are given in our response overleaf.

Yours sincerely

Peter Davies

Registered office 4th Floor 350 Euston Road London NW1 3AW
Reg Co No 3782949 REGISTERED IN ENGLAND AND WALES

ELEXON Limited 4th Floor 350 Euston Road London NW1 3AW
T 020 7380 4100 **F** 020 7380 0407 **W** www.elexon.co.uk

Consultation Response

Offshore Electricity Transmission: Implementing further refinements to the enduring regime

Our general observations

We are only responding to Question 3.2 of the consultation; we have no comments on the other questions.

We do not believe that the Balancing and Settlement Code (BSC) needs to be amended to deliver the proposals you have set out. However, we would like to draw your attention, and that of market participants via this response, to an area of the BSC related to the offshore arrangements in which we believe improvement may be possible.

For more information

please contact either

Dean Riddell at
dean.riddell@elexon.co.uk

Phone 0207 380 4366

Or

John Lucas at
john.lucas@elexon.co.uk
Phone 0207 380 4345

Chapter 3. Proposed changes to the industry codes

Question 3.2 Do you consider there are areas of the Codes where you consider that further amendments are required to deliver our proposals?

We understand that under the 'generator build' option generators will not export electricity onto the National Electricity Transmission System prior to transfer of assets to the Offshore Transmission Owner (OFTO), but generators will experience demand for energy during construction and testing of offshore high voltage assets prior to their transfer to an OFTO.

The current BSC arrangements require the generator responsible for construction and testing prior to transfer, to install and use onshore Settlement metering until the network is transferred to the OFTO, but when transferred the network must be metered offshore.

So the onshore Settlement metering becomes redundant when the offshore network transfers to the OFTO (though for embedded networks the metering may remain useful to the System Operator in meeting their obligation to meter the Offshore Transmission Connection Point).

These requirements did not obstruct generator build under the transitional offshore arrangements and would not obstruct the proposed offshore regime arrangements, but the onshore metering is likely to be required only for a relatively short period, and we understand that the cost of installing such metering is not trivial.

Therefore, though no amendment to the BSC is required to deliver the proposals, the current BSC metering requirements might be considered inefficient for enduring application because they require onshore Settlement metering to be installed to measure generator demand, only for this metering to

become redundant when the high voltage offshore assets are transferred to an OFTO.

A BSC Modification to amend the requirement for onshore metering of generator demand during construction and testing of offshore networks could be progressed. As there is no conflict between the BSC and the offshore regime, this could be progressed separately to code changes required to support the proposals in the consultation.

Any BSC Party may raise such a Modification Proposal, and we are happy to support Parties in considering the drafting and progression of such a change.

We believe that such a BSC Modification Proposal would have consequential impacts on the Distribution Connection and Use of System Agreement (DCUSA). We would liaise with the DCUSA Panel and DCUSA Secretariat as required to facilitate assessment and implementation of consistent changes across Codes.