

## **Syndicate Group Output**

On 1 February National Grid ran the Offshore Connection Process Workshop at Wokingham. The following information summarises the points raised in each of the syndicate groups that were used to examine specific areas of the process. This document should be read in conjunction with the slide pack from the day and the Q&A record.

### **Syndicate Group - Upfront certainty**

The 'Upfront Certainty' syndicate group was well attended so there certainly seemed to be a large amount of interest in the topic. However, the discussion tended to concentrate on questioning the basic principles of the regime (i.e. those already endorsed by the Secretary of State such as the tender process). The group included (non-exhaustive):

Concern was expressed that the proposed regime might not be able to facilitate offshore interconnected networks and while at present developments were assumed to be radial at some point in the future they may become interconnected. In this respect it was suggested that the current regime was perhaps too short-sited. It was noted that since the Crown Estate was the only "land owner" offshore that it seemed more logical to have a specific OFTO for an area of the sea-bed offshore and that it should then be up to that OFTO to build a speculative development and make agreements with interested developers (i.e. licensed areas offshore, rather than a project by project basis).

The discussion around 'upfront certainty' raised the following points:

- Generally a developer would prefer to have a few extra months delay at the start of the process **if** this ensured greater certainty later on.
- More specifically, if you were the only developer interested in a particular area, then you would be keen on nailing down your specification as early as practicable.
- However, if there was more than one developer in a particular area with more scope for innovation and potential benefits from a single cable route to shore, than these benefits could out-weigh the negatives of some uncertainty upfront.
- The consensus was that this should be assessed on a project by project basis.
- If feasibility studies were to be undertaken at the start of the process; who would undertake these studies and what information would they provide?
- One of the other members of our group was concerned about some of the Round 2 projects that were not quite at the stage where they would fall into the 'transitional' category and so would fall into the 'enduring'. He indicated that some of these projects will have undertaken a great deal of development work and perhaps even seabed surveys and that it would be very unfortunate if all this work was eventually 'wasted'.

### **Syndicate Group - Trigger for tender process**

The group discussed a range of issues associated with the tender process. Initially much of the comment was along the lines that the tender process was a bad idea and would simply add 12-18 month delay to a developer's project without any counter-balancing benefit (e.g. common view that it would not result in lowest cost solution). The group generally felt that having regional annual tenders (e.g. Thames Estuary in Jan, southern Wash in March etc) would help to spread the workload for all involved.

Once the group accepted that a tender process was a "given" it started to look at the trigger issue. The group generally felt that expressions of interest should be requested by the tender panel as soon as an application is notified to them (i.e. within days of NG receiving application). There did not seem to be any undue concern over confidentiality of the application and the corresponding on-shore approach where applications remain confidential until an offer is signed. (This was possibly because it was assumed that the BERR/ Crown Estates process for releasing sea-bed areas for development would in effect have published the location of all the offshore projects in advance anyway.) It was felt that where any prospective OFTO undertook work in relation to an "expression of interest" that this should be at their own risk.

The "full" tender process should only be initiated once the Initial Offer has been signed. (It was assumed that the developer would need to make a payment to the Tender Panel). At this point the developer should also be expected to indemnify prospective OFTOs over their costs incurred in developing their tender in case the developer pulls out.

#### Referrals

Any Offer that had been made and referred but would have been capable of being signed in sufficient time that the project could have entered the tender process should be eligible for inclusion in the tender process subject to:

- the developer paying the tender process fee; and
- indemnifying those tendering against their costs in the event that the developer withdraws before the resulting revised offer is signed.

The group noted that there was likely to be an interaction between the Crown Estates / BERR process for issuing sea-bed leases and the tender process but that this could not yet be considered.

The group discussed how Ofgem could be funded for the costs of pre-qualifying prospective OFTOs. It was concluded that the prospective OFTO must pay a fee as part of an application for pre-qualification.

There was some discussion over whether the prospective OFTOs should have all of their costs in developing a scheme underwritten, or only a proportion. There was concern that if fully funded (no risk to OFTO) then they may incur significant costs in examining multiple options which may not be efficient - no conclusion was reached by the group on this.

#### **Syndicate Group - Modifications**

This included considering how issues raised during the tender process (e.g. as a result of a customer's Modification Application) could be resolved? The group discussed this issue and reached the following conclusions:

- Accepted that the detail of all the processes were not yet clearly defined.
- Anticipated that once the tender process was underway there would be communication between the Developer & the OFTO (similar to the Construction Meetings between National Grid & Developers)
- Any amendments or changes arising from discussions would be captured contractually and updated in the relevant bilateral agreement.
- It was recognised that that the process was relatively fluid & that further detailed processes would need to be devised to provide assurances of the process to all parties.