

Patrick Hynes
Electricity Charging & Capacity
Development Manager
National Grid House
Warwick Technology Park
Gallows Hill, Warwick
CV34 6DA

25th July 2014

Dear Mr Hynes,

**Energy Networks Association OFTO Forum –
Response to NGET letter regarding User Commitment for Generator
Focused Anticipatory Investment (GFAI)**

Energy Networks Association (ENA) is the industry body for UK electricity and gas distribution and transmission companies.

This response to NGET's letter dated 20th June on development of user commitment arrangements for offshore projects classed as GFAI is submitted by the ENA OFTO Forum and is in addition to and in support of the individual responses of the members of that Forum.

The existing regime for offshore transmission in the UK is well constructed in both its legal and regulatory aspects and as such has been very successful in attracting low cost finance for OFTO assets to the sector. With this in mind the OFTO Forum members would ask that you take the following comments on your proposals into account to avoid jeopardising the benefits the offshore transmission regime is currently delivering.

1. The existing offshore transmission arrangements do not involve a direct contractual link between the wind farm owner and the offshore transmission owner. Rather the OFTO revenue stream comes from the NETSO and as such the OFTO is not exposed to any risk posed by the credit worthiness of the wind farm owner. It is this assurance of the OFTO revenue stream that has enabled the low cost financing the sector currently enjoys and so should not be put at risk.

In your numbered paragraph 7 under the heading 'Post-Asset Transfer' a liability from a developer to an OFTO is introduced, sacrificing the principle described above, with the consequent and undesirable impacts upon OFTO financing costs.

In your numbered paragraph 6 under the same heading however the developer liability rests with NETSO and as such the OFTO revenue stream is not threatened in the same way which makes this the more preferred option.

2. In a similar vein to the point made above the proposal in your numbered paragraph 9 under the heading 'Treatment of User Commitment Receipts Received', that OFTOs would receive termination receipts and have a proportionate reduction in their revenue stream, again jeopardises the surety of the OFTO investment for investors, with consequential impact upon the cost of capital and ultimately customer bills.

In addition this approach would require changes to the OFTO licensing arrangements which could lead to significant restructuring of the OFTO revenue stream.

As with the point made above we believe the better solution would be for NETSO to manage the termination receipts and the OFTO revenue stream would continue unaffected.

If you have any follow up queries please get in touch with me on 0207 706 5132 or richard.legros@energynetworks.org.

Regards,

A handwritten signature in black ink, appearing to read 'Richard Le Gros', with a horizontal line underneath.

Richard Le Gros • Secretary to the OFTO Forum, Energy Networks Association