

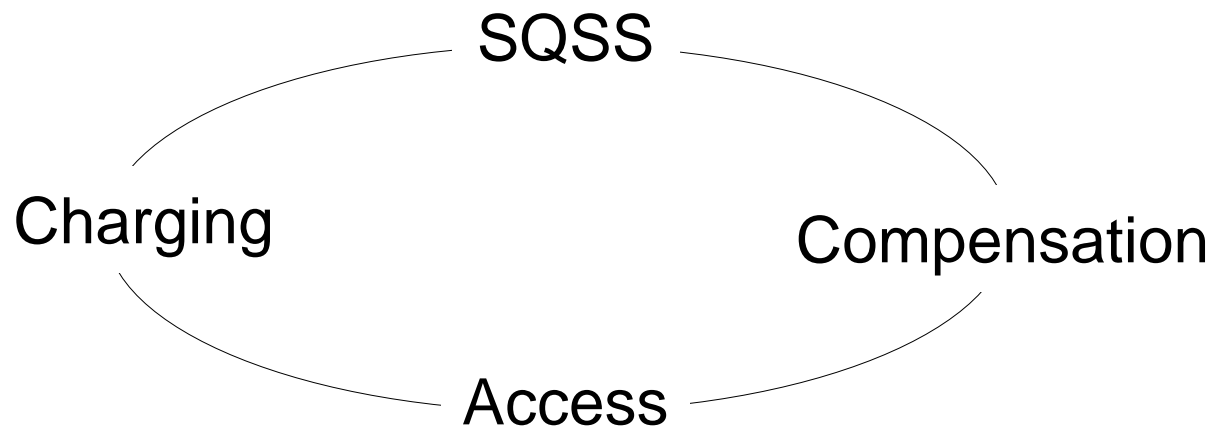
Offshore update

Offshore

- ◆ DTI published their decision to the joint consultation on offshore transmission licensing (March 07)
 - ◆ Non-exclusive tender approach approval
- ◆ Ofgem subsequently published their second scoping document (30 March) for offshore transmission
 - ◆ Initial thoughts on policy proposals
 - ◆ Framework for the implementation work

Offshore developments

1. A lower standard of connection security (offshore SQSS) has been specified for offshore (13 Dec 06)
 - ◆ Zero redundancy
2. A work stream of Charging, Compensation and Access has been established
 - ◆ TCMF/ CISG is the appropriate forum for charging aspects



Policy from scoping document (1)

- ◆ “We consider NGET to be the most appropriate party to develop open and non-discriminatory charging methodologies”

Key policy questions to be addressed:

- ◆ “Is it appropriate to apply the present onshore charging principles in the development of charging methodologies to incorporate offshore transmission connections and if so, what amendments are needed to extend existing arrangements offshore?”
 - ◆ “What alternative arrangements should be considered?”
 - ◆ “What detailed changes will be required to the charging methodology to apply it to offshore and what will be the consequential impact on the onshore charging methodology?”
-
- ◆ “We would expect the current GB Charging methodology to be used as the basis for development of offshore arrangements”

Policy from scoping document (2)

- ◆ “We consider the current licence driven approach used to develop onshore charging arrangements is an appropriate basis for developing offshore charging arrangements”
- ◆ “It is expected that the OFTO licence would oblige the OFTO to put in place a transmission charging methodology in relation to the services that they provided to NGET”
- ◆ “OFTOs would be expected to be obliged to comply with third party access requirements through licence conditions”
- ◆ “The underlying rationale of the existing transmission charging arrangements is that efficient economic signals are provided to users when services are priced to reflect the incremental costs of supplying them”

Offshore – Stated key dates

- ◆ July 07 – Publication of policy direction, initial licenses draft and Codes policy documents
- ◆ Jan 08 – Publication of second draft of licenses and first draft of code modifications
- ◆ June 08 – Statutory consultation for licences and codes
- ◆ Oct 08 – Go-live

Next step: Discussion

Opportunity today to discuss the main areas that need to be addressed in the development of National Grid's Offshore Charging Methodology arrangements