



Part II: The regulatory framework for the offshore grid

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How is the offshore grid managed from a market and regulatory point of view?

Working Group 2

1. Identify barriers to developing “hybrid assets” (offshore wind farms linked to interconnection) arising from national regulatory regimes and recommend how to address them
2. Develop market mechanisms for trading across hybrid assets
3. Recommend ways to allocate the costs of such assets



General Findings

- No insurmountable barriers: national approaches do not need to be harmonised but need to be compatible
- No regulatory regime in the EU which provides an explicit framework for the development of hybrid assets, so tailor-made trading arrangements needed

Specific Findings

Cost allocation

- Several cost allocation methods that ensure lower costs for all stakeholders compared to uncoordinated developments, but
- No cost allocation method is perfect; best method to be used will depend on particular circumstances (flexible approach needed)
- Basing cost allocation on benefits is challenging; *inter alia* benefits are difficult to assess
- Legal issues will also need addressing

Market arrangements

- 2/3 options developed which appear to work well, ie maximise social welfare, incentivise most efficient behaviour by all stakeholders involved, consistent with market coupling in day-ahead and intraday timeframes

What next?

- Many issues not yet explored, e.g.
 - impact of renewables support schemes;
 - impact of negative prices;
 - impact of order of development of hybrid projects;
 - possible allocation of transmission rights for offshore wind farms

However,

- We need to test our ideas on real projects before doing more work on theoretical approaches
- To do this, we need more real projects to take-off

What's stopping developers?

- Evidence suggests there are areas where more coordinated solutions could be beneficial
- A lot of progress about how barriers could be addressed from Working Group 2
- Not insurmountable with Member State and Commission support

But still only a handful of coordinated projects being seriously developed

- **Most existing projects are not planning for a coordinated approach and many are on route to being built**
- We need to understand what is holding developers back from more coordinated approaches
 - If these regulatory and market issues were resolved, would developers step forward?
 - Is there a robust business case for more coordinated projects?
 - What else is preventing innovative companies from coming forward with coordinated projects?
- If we want an efficient solution, we need to work with developers to address their concerns

Conditions for a successful meshed grid in the North Sea

1. Viable generation: availability and clarity on RES support
2. Environment to support ideas from all developers
3. Strong business cases for specific projects
 - ‘dose of reality’
4. Flexibility to accommodate and fund Anticipatory Investment where justified



**Thank you for
your attention!**

NSCOGI Reports are available :
<http://www.benelux.int/nscogi>

Working group 2: Publications

- **Regulatory benchmarks** (summary of national regulatory regimes)
- **Cost allocation for hybrid infrastructures** (how to achieve a fair distribution of costs among all stakeholders involved)
- **Integrated offshore networks and the Electricity Target Model** (arrangements for trading across hybrid assets)



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