

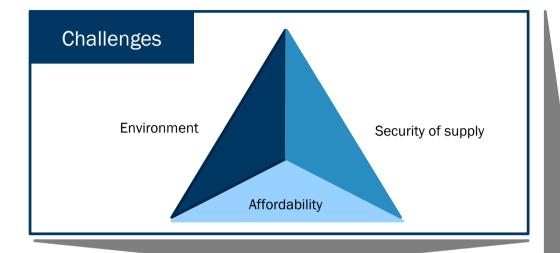
#### The future of electricity transmission regulation

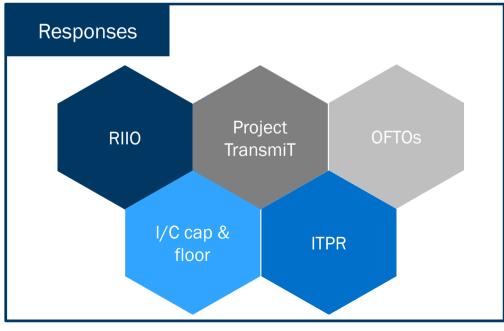
Energy Policy & Research Group

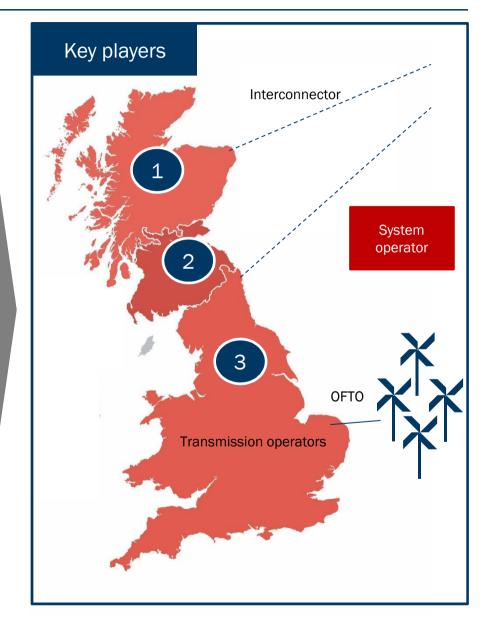
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#### Introduction

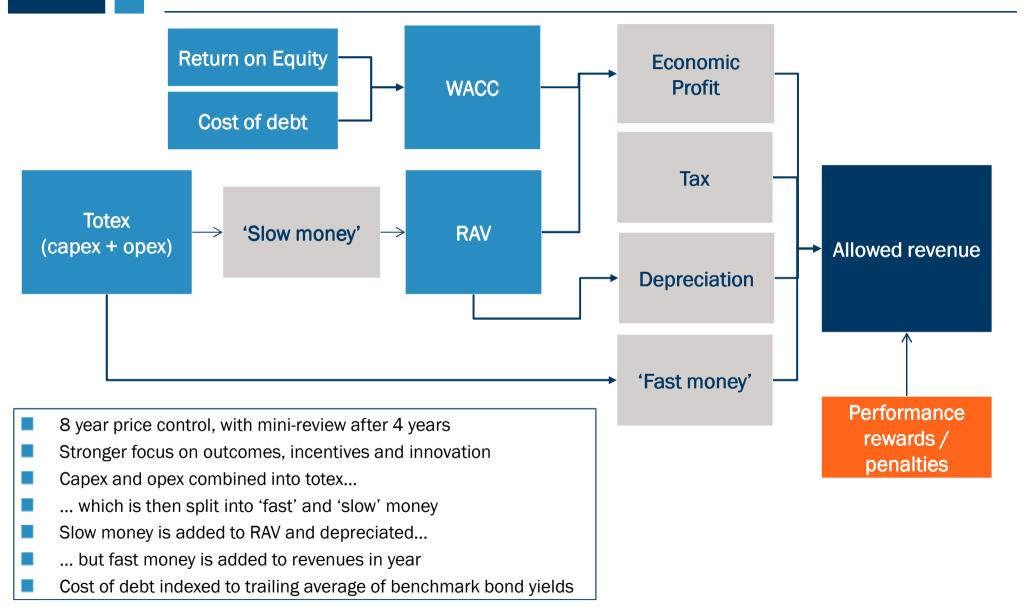






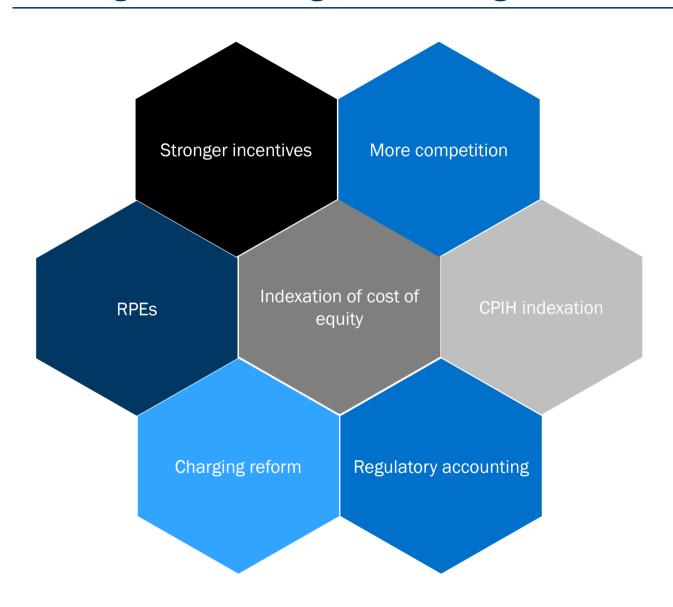


#### Core onshore transmission network regulation Overview of the RIIO model





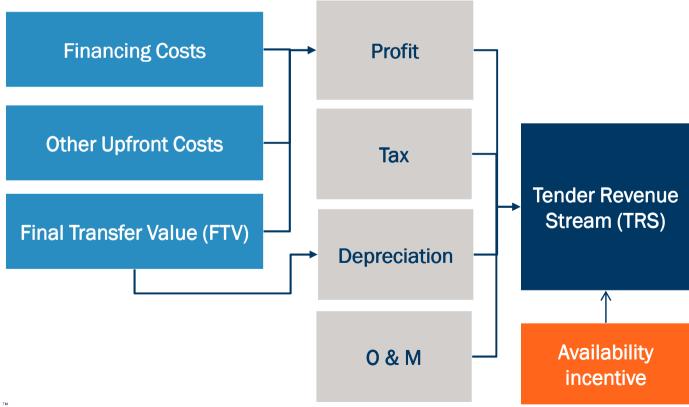
### Core onshore transmission network regulation How might onshore regulation change in future?





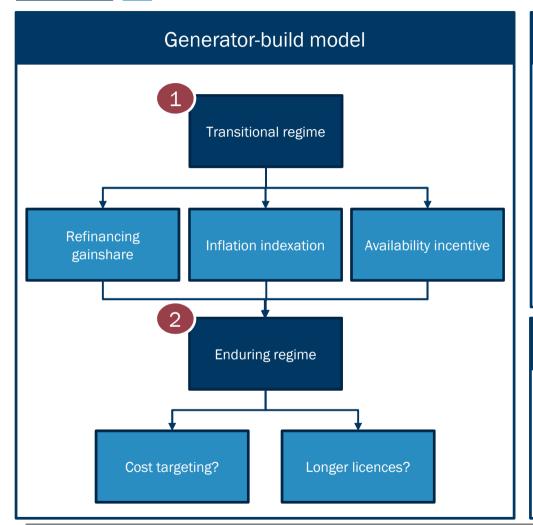
#### Offshore electricity transmission regulation Overview of the OFTO model

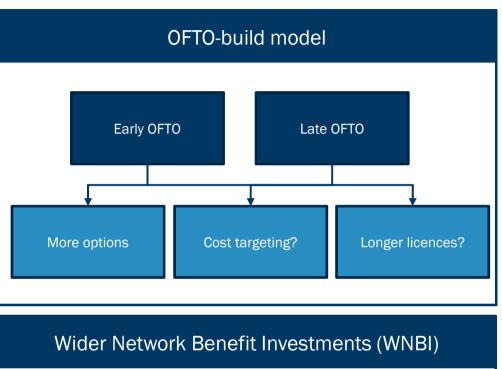
- Offshore electricity cables constructed by windfarm generators...
- ... but then auctioned to the party willing to accept the lowest revenue stream (TRS)
- Parties submitted bids to reflect the expected costs of acquisition (FTV + other upfront costs), financing, tax and operating and maintaining the assets
- TRS reflects these costs, but is constant (other than indexation to RPI) over the 20 year licence period
- Because the lowest bid wins, investors are incentivised to submit the lowest cost bids they believe will win and provide them with an adequate rate of return on their investment

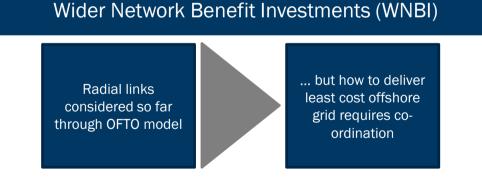




## Offshore electricity transmission regulation How might the OFTO model change in future?





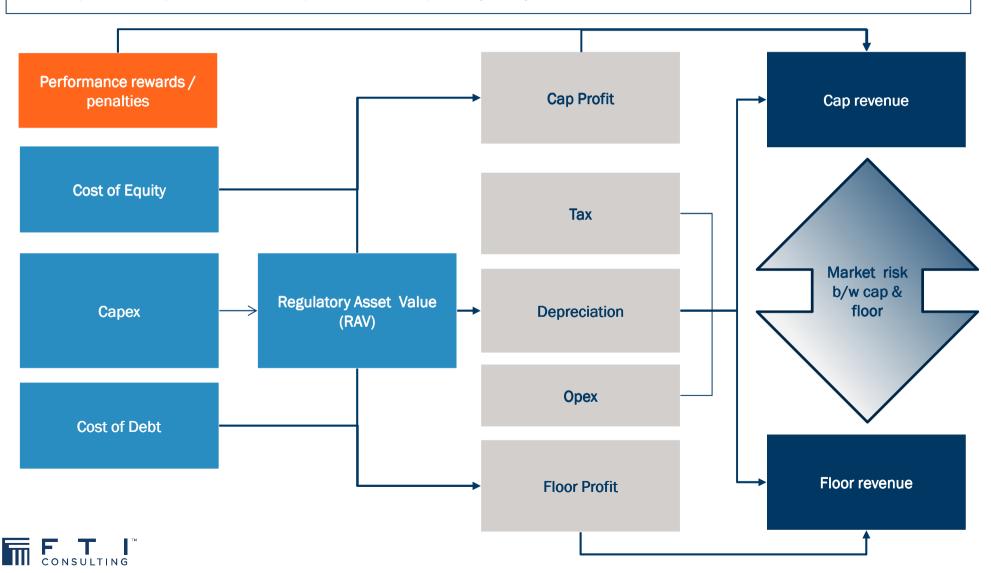


How can investor appetite be maintained and expanded to meet the supply of (increasingly differentiated) investment opportunities?

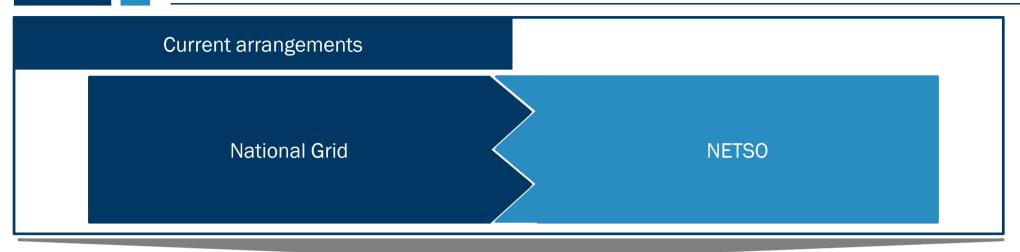


#### Electricity transmission interconnector regulation The cap and floor model

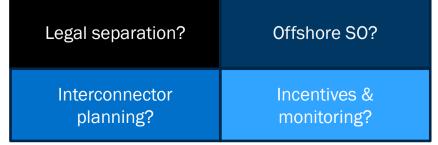
- 20 year licence period, with revenues linked to RPI
- No periodic adjustments, but cap & floor 'true up' every five years



# System operator regulation Ofgem's ITPR proposals

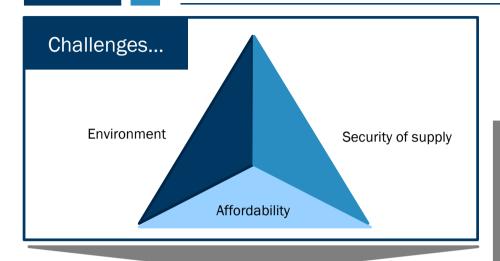


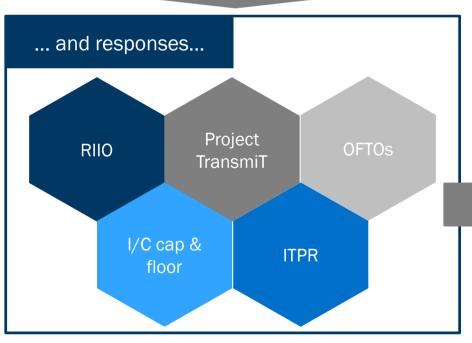


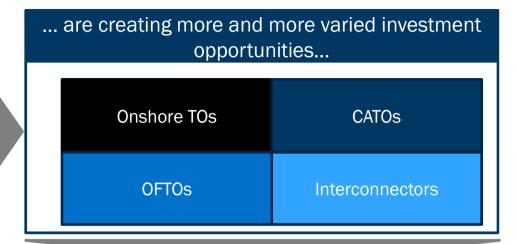


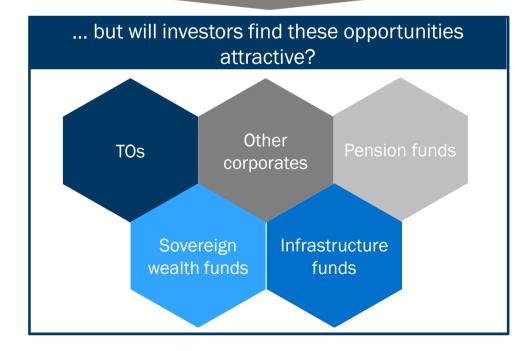


## Trends in electricity transmission regulation: will the investment required be secured?













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