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STATUTORY INSTRUMENTS

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**2013 No. 175**

**The Electricity (Competitive Tenders for Offshore  
Transmission Licences) Regulations 2013**

**PART 2**

**CALCULATION AND PAYMENT OF COSTS INCURRED  
IN CONNECTION WITH TRANSMISSION ASSETS  
FOR A GENERATOR BUILD TENDER EXERCISE**

**Calculation of costs incurred in connection with transmission assets**

4.—(1) In respect of a generator build tender exercise, the Authority shall calculate, based on all relevant information available to the Authority at that time, other than information that the Authority decides not to take into account in accordance with paragraph (7), the economic and efficient costs which ought to be, or ought to have been, incurred in connection with developing and constructing the transmission assets in respect of a qualifying project in accordance with paragraph (2).

(2) The calculation of costs in paragraph (1) shall be—

- (a) where the construction of the transmission assets has not reached the stage when those transmission assets are available for use for the transmission of electricity, an estimate of the costs which ought to be incurred in connection with the development and construction of those transmission assets; or
- (b) where the construction of the transmission assets has reached the stage when those transmission assets are available for use for the transmission of electricity, an assessment of the costs which ought to have been incurred in connection with the development and construction of those transmission assets.

(3) In order to provide bidders, qualifying bidders, the preferred bidder, reserve bidder or successful bidder with the most accurate estimate of the costs which ought to be incurred in connection with developing and constructing the transmission assets in respect of a qualifying project, the Authority may require the developer to provide further information at a particular stage of a tender exercise for the purposes of enabling those bidders, qualifying bidders, or that preferred bidder, reserve bidder or successful bidder to take into account the most accurate estimate of the costs in order to meet any requirements of that particular stage.

(4) Where the Authority requires the developer to provide further information in accordance with paragraph (3), the Authority shall specify the date by which the developer shall provide that information.

(5) Where the Authority considers that the information provided by the developer in accordance with paragraph (3) is a material change from the information already available to the Authority, it may, in order to provide bidders, qualifying bidders, the preferred bidder, reserve bidder or successful bidder with the most accurate estimate of the costs, undertake one or more further estimates of the costs which ought to be incurred in connection with the development and construction of those transmission assets, as it considers necessary, until such time as those transmission assets are available for use for the transmission of electricity in respect of that qualifying project.

(6) Where the Authority—

- (a) has previously estimated the costs in accordance with paragraph (2)(a) or (5); and
- (b) is satisfied with the evidence provided by the developer that those transmission assets are available for use for the transmission of electricity,

the Authority shall, as soon as reasonably practicable, assess the economic and efficient costs which ought to have been incurred in connection with the development and construction of those transmission assets.

(7) The Authority may decide not to take into account any information that is provided after the date specified by the Authority in accordance with paragraph (4) in undertaking any estimates in accordance with paragraph (5) or assessment in accordance with paragraph (6).

(8) Where the Authority has determined to grant an offshore transmission licence to the successful bidder in respect of a particular qualifying project in accordance with regulation 27(2), the assessment undertaken in accordance with paragraph (2)(b) or (6) shall be used by the Authority to determine the value of the transmission assets to be transferred to the successful bidder.

#### **Payment of costs incurred by the Authority in connection with transmission assets calculation of costs**

5.—(1) Where the Authority has estimated the costs in accordance with regulation 4(2)(a) or 4(5) in relation to a particular qualifying project, it shall, prior to the grant of an offshore transmission licence to the successful bidder in relation to that qualifying project, give notice to the developer to make a payment to the Authority of a sum determined in accordance with the Authority's cost recovery methodology in relation to its costs in estimating the economic and efficient costs which ought to be incurred in connection with developing and constructing the transmission assets in respect of that qualifying project.

(2) Where the Authority has assessed the costs in accordance with regulation 4(2)(b) or 4(6) in relation to a particular qualifying project, it shall

- (a) prior to the grant of an offshore transmission licence to the successful bidder in relation to that qualifying project; or
- (b) as soon as reasonably practicable after the generator build tender exercise has been held in accordance with these Regulations,

give notice to the successful bidder to make a payment to the Authority of a sum determined in accordance with the Authority's cost recovery methodology in relation to its costs in assessing the economic and efficient costs which ought to have been incurred in connection with developing and constructing the transmission assets in respect of that qualifying project.