

REF

RENEWABLE ENERGY FOUNDATION

21 JOHN ADAM STREET, LONDON, WC2N 6JG

TEL: 020 7930 3636. FAX: 020 7930 3637

EMAIL: research@ref.org.uk

WEB: <http://www.ref.org.uk>

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Renewable Energy Foundation Response to:

Ofgem Consultation on the Transmission Constraint Licence Condition Guidance

The Renewable Energy Foundation (REF) has taken a particular interest in the constraint payments made to Scottish wind farms since 2010 and consequently is pleased to respond to the part of this consultation concerned with such payments.

One issue which is not clear from the consultation is the degree of commitment to ensuring information about constraint payments is publically accessible. Will the details of any investigation of potential breaches of the licence condition be put into the public domain? We are of the opinion that transparency is important in order that the general public, who after all subsidise wind farms, understand the difficulties and costs involved in integrating wind. This is particularly important in the case of Scottish wind farms where we feel the proposed expansion of wind energy is premature given the level of demand in Scotland and the problems with exporting excess generation.

Answers to specific questions in the consultation are:

Question 6: Do you agree that the indicators outlined above are useful for Ofgem to consider when determining whether the bids are excessive or not?

In general, yes, however, we believe that evidence of *specific* costs and opportunity costs for the generator in question should be required.

Question 7: Are there other factors or indicators that Ofgem should consider in interpreting this circumstance?

We believe an important factor is the reliability of a generator in matching its FPN. There seems to be doubt about the accuracy of wind farm generators in delivering the notified energy particularly at times of high winds. It would be

unacceptable if a wind farm were paid to reduce output if high wind conditions would have necessitated it ceasing generating in any case. It is not clear that this situation has been considered.

We also believe that consideration should be given to the fact that the revenue forgone in the case of wind farm constraint payments is consumer subsidy and that this confers a particular duty to ensure that wind farms do not profit from being behind a constraint.

Question 8: Are there any further important arguments that provide objective justification for seemingly high bids?

We are aware of the argument that market forces will tend to drive down bids. We have looked at how wind farm bids have changed since April 2011, disregarding the bid prices of -£999 to -£99,999 which we assume are designed to signal an unwillingness or inability to reduce output on demand, or possibly, an unawareness of the potential requirement for wind power output to be reduced. The range in bid prices of the remaining set ranged from -£150 to -£300 in April 2010 and widened to -£74 to -£500 in February, 2012. Moreover we can see from recent constraint payments that the lowest bids are not necessarily accepted. We assume that there are particular features of a constraint which dictate the selection of particular wind farms to reduce output.

We can see no reason why there should be a range in bid prices for wind farms and feel that a reasonable value should not exceed the value of a ROC and perhaps a LEC – thus approximately -£55. We conclude that the current regime is not working to bring bid prices towards a fair value.

About The Renewable Energy Foundation

The Renewable Energy Foundation is a registered research and education charity encouraging the development of renewable energy and energy conservation whilst emphasizing that such development must be governed by the fundamental principles of sustainability. REF is supported by private donation and has no political affiliation or corporate membership. In pursuit of its principal goals, REF highlights the need for an overall energy policy that is balanced, ecologically sensitive, and effective.