

Stuart Cook  
Director, Transmission  
Ofgem  
9 Millbank  
London  
SW1P 3GE  
[lesley.nugent@ofgem.gov.uk](mailto:lesley.nugent@ofgem.gov.uk)

16 April 2009

Dear Stuart

**Ofgem letter: Derogations to facilitate earlier connection of generation – proposed interim approach**

Many thanks for inviting comments on the regulator's 'minded to' position on a proposed 'interim approach' to active queue management in Scotland and its associated costs.

Scottish Renewables is the green energy trade body in Scotland and represents nearly 250 business and organisations working towards a low and zero carbon energy industry in Scotland. You can find out more by visiting [www.scottishrenewables.com](http://www.scottishrenewables.com).

The ability to connect renewables generation to networks in a timeframe consistent with its development plan is the objective of the Transmission Access Review (TAR). TAR underlined the UK Government's and Ofgem's commitment to renewables. TAR said that to resolve the current issue of more generation seeking firm or bankable access to the grid when there is insufficient capacity to accommodate it would require short to medium term interim solutions and longer term enduring arrangements. Short term solutions were described as 'interim connect and manage' by TAR and is, to an extent, now being implemented by National Grid.

The active queue management undertaken by National Grid has identified more than 900 megawatts of capacity that could advance through the so-called 'Scottish queue' and more capacity is likely to follow. This activity is consistent with TAR principles.

The principle constraint, the Cheviot Boundary, is the focus of this debate and it might be worthwhile noting that the potential for constraint across this boundary has been understood for more than ten-years. I am reliably informed by the Scottish Renewables membership that the Cheviot Boundary constraint was discussed in 1995 and then again more recently through the TIRG deliberations. Given that fourteen-years on the constraints are still there it seems that the principal issue that Ofgem still need to resolve is why constraint payments are not encouraging timely investment rather than using this issue to leverage an outcome on charging products



that may be attractive because they appear to promote efficient investment but in actual fact are likely to weaken the needs case for any strategic investment.

The first tranche of advancement identified by National Grid amounts to 450MW and has been the subject of some debate in the past few months because of an initial misconception about the scale of constraint costs that it would trigger (this has now been revised down to a more realistic and therefore acceptable level). It would be unfortunate if the second and subsequent waves are subject to similar uncertainty.

That is why Scottish Renewables is pleased that Ofgem is minded to allow the necessary derogations required to enable the connection of renewable energy projects ready, willing and able to connect sooner than their current contracted position. The social, environmental and economic benefits will be significant not just for Scotland but for the whole UK.

We also welcome the fact that Ofgem is prepared to allow further derogations (i.e. the second and subsequent waves). This is a commitment to a variant of 'connect and manage' in action and Scottish Renewables believes that this is a sensible way forward until enduring arrangements are in place and delivering timely and genuinely cost reflective connections.

Scottish Renewables also recognises that a responsible approach to connect and manage requires an assessment of the cost. A lot of work has already been done in this area, most notably in association with CAP148.

However, the shift from the current postage stamp model to locational charging for balancing services (i.e. attributing cost to those who cause constraints) is a significant step and unlikely to deliver any additional motivation for the investment needed for new transmission. Indeed, targeting the cost of constraints is more likely to reduce pressure for transmission investment and could leave generators with a long term and disproportionate burden.

The long term need for transmission investment is significant and it is important that the suite of measures emerging through the TAR do not undermine the needs-case for investment but rather ensures that investment is efficient and delivered in a timely manner.

Scottish Renewables has always promoted a responsible approach to connect and manage which recognises the enormous social, environmental and economic benefits of connecting renewable energy projects quickly with the risks and benefits of such an approach shared appropriately. However, we are concerned that locational BSUoS will have the same features of the current transmission charging model: high, unpredictable and volatile costs over the lifetime of an operating project. Indeed, the unpredictability and volatility is a major issue because the half-hourly balancing services provided by National Grid mean that it will be impossible to predict constraint costs caused by insufficient transmission capacity at the Cheviot Boundary (or indeed any other boundary in GB) from year to year because of the long term unpredictability of GB demand, Scottish weather patterns (this year as much as 25% of Scottish demand will be met by renewable energy production) or the possible unplanned outages at ageing nuclear or other conventional plant.

The potential for very high cost which cannot be predicted and which may vary significantly from year to year means that the investment case for new projects is undermined and is likely to slow the pace of delivery of renewable energy in Scotland.

We note that National Grid has initiated a consultation on a locational BSUoS model (GBECM18) and measures for intertripping (CAP170). We will consider its proposals carefully and provide it with our views following consultation with Scottish Renewables' members.

However the urgent and seemingly piecemeal approach to these Ofgem-inspired initiatives (National Grid's CAP170 and GBECM18) do not provide for a helpful decision making environment. The inability to provide certainty regarding the implications of any fundamental change for new and existing generators because, we have concluded, everything is being delivered in unreasonable haste means that a low or zero risk attitude to proposals is more likely to be adopted by stakeholders in the process. We would advise Ofgem to take its time over this and be careful in considering the consequences of a potential significant shift from the status quo on the attribution of constraint costs.

In doing so we would suggest that Ofgem considers the whole range of issues around the cause of constraints. Constraints across boundaries are caused by imbalances in generation *and* demand either side of the boundary. Therefore we would question why generation in the north of Scotland is considered the sole cause of constraints at the Cheviot Boundary when electricity flows across a boundary are also caused by demand on the other side. Logically then, suppliers on the other side of the derogated boundary should bear an appropriate portion of the cost.

If Scottish Renewables can help by clarifying any of the points made above then please get in touch.

Yours sincerely

Jason Ormiston  
Chief Executive  
**Scottish Renewables**