



## Highlands & Islands ENTERPRISE

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**Your Ref:**  
**Our Ref:**

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Dear Tracy

### **CONSULTATION – TRANSMISSION INVESTMENT & RENEWABLE GENERATION**

Thank you for the opportunity to respond to the Ofgem consultation on the above subject.

As you are aware the Highlands and Islands of Scotland is home to the largest natural resource for the development of renewable energy within Great Britain (GB). Highlands and Islands Enterprise, the Government's economic development agency for the area, aims to promote access and development of these resources for the benefit of GB whilst securing benefit locally to both businesses and communities. The development of the grid locally to allow export to centres of population and demand is of course crucial to this process and for that reason we wish to offer the following comments in response to the above consultation.

Firstly, in relation to the licence obligations prescribing how the system operator develops charging methodologies, the consultation reiterates the proposal to base them on those currently in place for NGC. While this may be entirely appropriate, we do have a concern that differences in the Scottish system, including the number of remote and island locations served by the distribution system, may not allow an easy translation of the NGC rules to the wider GB situation.

Furthermore we are concerned that the extension of locationally varying use of system charges may lead to regulatory induced discrimination against generators based at a distance from centres of population and demand. We believe that it will be necessary for the renewable resource of the north of Scotland to be developed in order for the UK to meet its renewable energy aspirations over the next two decades. It is generally understood that load factors in the North tend to be higher than elsewhere in the UK and this will offset any additional costs. We support the view that in the interests of equity across the renewables sector and across GB, generators should not be disadvantaged as a result of choice of location.



HIE is currently facilitating the Highlands and Islands Transmission Working Group. The members of the group are Scottish & Southern Energy, DTI, Scottish Executive and each of the local planning authorities affected (including the islands' planning authorities). Ofgem attends meetings of the Group on an observer basis. The purpose of the Group is to work with SSE to quantify the level of new capacity required in order to assist the development of a robust business case supporting the required investment. The involvement of the local planning authorities is intended to provide confidence in quantifying development likely to achieve the necessary consents to proceed. This will allow SSE to make a more robust calculation of required capacity.

It is apparent that the level of new renewables development planned in the area is significant. New infrastructure investment to allow this development to proceed is essential. HIE therefore shares Ofgem's concern that relying on existing mechanisms to allow recovery of investment costs may lead to delays in the necessary investments being made. HIE agrees that the 'quick fix' option would prevent such delays, but feels that this only offers a short term solution and would support the development of a more sophisticated mechanism in parallel.

Finally, HIE remains concerned that the cost of investment is shared across the GB customer base. The SHETL area across the north of Scotland is home to less than 10% of Scotland's population who have less energy choice and spend a higher proportion of their gross income on energy compared with the rest of the UK. HIE believes that to ensure equity across GB, costs should be shared across the wider customer base and investment costs in the SHETL area not borne solely by the small number of customers in that area.

We look forward to seeing the results of the consultation in due course

Yours sincerely

ELAINE HANTON  
Senior Development Manager (Renewables)