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15 Feb. 2010

Dear Cheryl,

TAR – Enhanced transmission investment incentives – Final proposals

The Renewable Energy Association is pleased to be able to comment on the final proposals. As you are aware our members work on all types of renewable power and heat projects connected at both transmission and distribution levels in all parts of Great Britain. We have commented on all the previous consultations on this topic and attended the workshop in December.

Our response to the November initial proposals consultation

We make no apology for reminding you what we said in response to your initial proposals consultation by quoting from the introduction. We said -

“We are broadly supportive of the direction you are proposing. The priority must be to facilitate any work that can assist meeting government’s CO₂ reduction targets. Having said that there is one matter that is central to assessing what reinforcements are necessary - the fundamental review of Security and Quality of Supply Standard (SQSS). We feel the SQSS is not being given sufficient urgency.

It is universally acknowledged the existing SQSS is not a suitable means of determining what transmission investment is required for the emerging pattern of generation, i.e. with the increasing penetration of wind and a higher ratio of installed capacity to peak demand. The fundamental review of the SQSS was therefore set up in June 2008, to look at a number of issues including this. It has not yet concluded, but in our view it needs to do so as soon as possible and in any event by the middle of 2010, so that all work from 2011/2012 onwards can be tested against its outcome.

Para. 2.16 of the proposals states that Ofgem’s consultants are testing for need against a number of criteria, but are also questioning the use of the existing SQSS as the fundamental driver of the investment plan. In our view for the next year (2010/2011) there is no alternative to accepting the current standard (NGC would be in breach of its license if it did anything else) but if

the consultants wish to look at the long term appropriateness of the standards then they should do so as part of the SQSS fundamental review.

We think that it is very unlikely that any expenditure planned for 2010/11 (and possibly for the following year) would be rendered unnecessary by any changes to the standard. However, it would be imprudent to justify new commitments much further ahead, before the results of the SQSS review are known. We would therefore urge you to encourage NGC to bring this review to a conclusion as quickly as possible, with a suggested target of next summer. This would ensure that there is no risk of expenditure being committed after 2010/11 that would not be necessary under the revised standards."

The only reference to this in the final proposals document that we can find is in paragraph 1.35 of appendix 2

"One respondent recommended that the construction funding need for individual schemes be reconfirmed following the completion of the GB SQSS review."

This is unsatisfactory. The rate of expenditure is ramping up to about £1 billion per year. Admittedly the outcome of the review of the SQSS may not result in a reduction of the amount of work considered necessary. However this cannot be presumed, nor is there any need to make this assumption.

If the fundamental SQSS review had been given sufficient priority it could have been completed by now and it should still be possible to complete it by the autumn i.e. in time to use to assess the expenditure for 2011/12, which could be up to £625m.

To contemplate authorising this magnitude of expenditure (ramping up to £1 billion per year after that) without insisting on the completion of work that would confirm (or not) the need for it does not appear to be compatible with the responsibilities of an economic regulator. There has not been any explanation as to why the SQSS review has not been completed, having been started in 2008.

For the avoidance of doubt we do not want to delay any work that is necessary for meeting the essential carbon reduction commitments / the accommodation of new renewable generation.

It is suggested that the completion of this work ought to be on the project plan of this work i.e. included on Figure 2 "the way forward timeline" with a completion date this autumn i.e. before the new commitments to be sanctioned in 2011/12 have to be considered. If it is impossible to complete the review by then at least doing it within the following twelve months would be better than leaving it any longer.

We do not consider it appropriate for us to comment on specific projects. In terms of the two specific questions asked, we will only address Question 1 from chapter 5.

CHAPTER: Five

Question 1: Do respondents have any views on the way forward?

As you will anticipate from the proceeding comments our overriding concern is that completion of the fundamental review of SQSS as soon as possible should be part of this work program.

For the avoidance of doubt if there is a valid reason why it cannot be completed in a timely fashion we would not regard this as a reason to delay what is regarded under the current standards as the investment necessary to accommodate the growth of low carbon generation.

We hope you find these comments useful. If you would like to discuss them further please feel free to get in touch.

Yours sincerely

Gaynor Hartnell
Director of Policy.



RENEWABLE ENERGY ASSOCIATION