

Dear Sir/Madam,

I am a private consumer but with a particular interest in seeing the development of Wavepower west of the Hebrides and I would like to make the following points some of which are based on the submission from the Outer Hebrides Renewable Group response :-

CHARGING

Whether our objectives for Project TransmiT are appropriate;
Yes. I agree that it is.

Whether the principles on which the current charges are derived remain fit for purpose given the new and emerging challenges that the energy sector faces. If not, evidence of why this is the case and suggestion of what alternative or additional principles should be adopted;

The current regime of TNUoS charging developed to service large fossil fuel generators located in the vicinity of large conurbations and is no longer fit for purpose. Much of the renewable potential is in peripheral areas and the historic mechanism that served the urban areas should now be set aside to ensure that the UK embraces a sustainable, low carbon future. Retention of the current discriminatory transmission charging system is less than helpful to the UK in its low carbon aspirations.

Whether NGET's and NGG's approach is consistent with the principles currently in place, and whether their approach is applied consistently;

NGET's licence condition to make Grid upgrade cost reflective is the single largest obstacle to the development of a low carbon Britain. NGET's licence conditions should be amended to reduce the emphasis on cost reflectivity and to introduce a funded sustainability obligation.

Whether the current arrangements deliver value for money to energy consumers;

I would doubt very much that it does.

Whether the current arrangements facilitate appropriately the connection of low carbon generation including renewables and any other new generation, preferably with evidence of impacts of transmission charges on such generation (note that this, as well as all other parts of a response, can be provided on a confidential basis); and

I am convinced that the current transmission arrangements are hampering the connection of low carbon generation. Six developers, currently scoping in and around the Outer Hebrides, have stated that they will not invest in this area of best resource because of punitive TNUoS charges. Total TNUoS charges of £95.73 have been quoted to these developers with a locational zonal tariff element of £20.07 per kW/h. This compares to a locational zonal tariff element of **minus** £6.41 in Central London where there is no renewable resource. How can the UK Government say it is promoting a low carbon economy when absurd locational signals of this nature are being sent out to industry? To compound matters, NGET's definition of the Main Interconnected Transmission System (MITS), based rather arbitrarily on the number of substations on a line, excludes the Western Isles Radial Connector from MITS and refers to that Connector as 'local circuit', requiring its cost to be reclaimed through

the 'local circuit' element of TNUoS. This 'local circuit' tariff is added to the locational zonal tariff of £20.07 and is largely responsible for producing a total TNUoS charge for the Outer Hebrides of £95.73. A London generator has a negative locational zonal tariff and no 'local circuit' element of TNUoS because connection is directly into MITS. How can DECC and Ofgem support this level of geographical discrimination, particularly when it militates directly against the move to a low carbon economy?.

The prospects of the proposed 450MW (upgradeable to 900MW) Western Isles Radial Connector are directly tied to current TNUoS charges and the outcome of this review. On 10 November 2010, SSE announced that they were withdrawing from the cable procurement process due to the reluctance of private developers to underwrite the £400m cost on the basis of prohibitive TNUoS charges. This will delay Radial Link installation by at least two years to late 2015 at the earliest. Current TNUoS is therefore sterilising the best Renewable Energy resource in Europe. In addition, and as stated above, the Connector is not classed as part of the Main Interconnected Transmission System so its cost has to be reclaimed through a crippling 'local circuit' tariff within TNUoS. 50 miles away, across the Minch, a Scottish mainland generator can connect directly into MITS with a negligible 'local circuit' charge. In this way, NGET are treating the Scottish islands as offshore generators, connected by cable to MITS. If this is the established view, and NGET maintain that the cost of Radial Connections must be recovered through a 'local circuit' tariff within TNUoS, then OHRG is prepared to recommend a short term 'fix' for the TNUoS situation through the award of offshore Renewable Obligation Certificates to onshore wind projects in the Scottish islands. It must be made clear, however, that this is a short term 'fix' which could bolster Business Plans and encourage Outer Hebrides developers to underwrite the new Radial Connector. This is not an alternative to a far reaching and necessary overhaul of the inequitable TNUoS regime. This approach is not without its problems. Taken to its conclusion, it could result in North of Scotland generators indirectly subsidising unsustainable urban generators through high TNUoS charges using a Government subsidy which was designed to promote renewable generation in the first place. This is not a socially acceptable scenario for the longer term. Far better for the Western Isles link to be recognised as part of the UK's strategic energy network and directly resourced as such, just as the Beaulieu – Denny line was, without private underwriting.

I would strongly urge DECC and Ofgem to review the current TNUoS regime to remove its inherent geographical bias and discrimination.

Whether there are particular issues associated with transmission charging that should be prioritised.

While comprehensive review of the current transmission charging regime is long overdue, certain actions should be prioritised to ensure that large amounts of renewable energy in the North West of the UK is accessed in the national interest. The recommendations arising out of this review will not be published until the summer of 2011 but the current impasse has already cost the Outer Hebrides its 450MW (900MW) Radial Connector until 2015 at the earliest. Unless TNUoS charges for the islands are capped immediately or additional short term Renewable Obligation Certificates are made immediately available for island generation, there is a clear danger that renewable energy developers will deploy elsewhere in the globe, depriving the UK of access to its area of best resource. This means that the Radial Connector will not be underwritten and interconnection from the islands will fail. If the current window of opportunity for interconnection from the islands is missed, it may never be possible to access the same level of renewable energy in the future.

I would recommend, along with the OHRG, that the following actions are taken, with the first three time-critical actions put in place before the recommendations of this review are published:

1. OFGEM should identify the Western Isles Radial Connector as a national interest, strategic investment and should allocate enhanced Transmission Investment for Renewable Generation (TIRG) resources to the Transmission Operator to effect this investment without waiting for private underwriting. This necessary element of national infrastructure will be centrally paid for in any case with costs reclaimed through the 'local circuit' tariff part of TNUoS so, given the scale of the resource, why can OFGEM not bear the initial risk and invest 'up front' in the connection?
2. the Secretary of State for Energy and Climate Change should exercise his powers under Section 185 of the Energy Act 2004 to adjust transmission charges for renewable electricity generators in the Scottish islands in view of the fact that current TNUoS charges are a demonstrable deterrent to renewable development in these areas;
3. DECC and OFGEM should support the Scottish Government to introduce additional Renewable Obligation Certificates (ROC) for generators in the Scottish islands. This could be an interim measure to support the business cases for island generators in advance of reviewed TNUoS charges. These ROC's could give confidence to island generators and encourage them to underwrite the Western Isles Radial Connector, if required; and,
4. As a key outcome of this review, DECC and OFGEM should radically review the current transmission charging regime to remove its inherent geographical bias and discrimination. This could be done by partially or fully socializing network costs across the entire network in common with the approach already used by other public infrastructure providers such as transport and water.

CONNECTION ARRANGEMENTS

Whether our objectives for Project TransmiT are appropriate;

Again, Project TransmiT's over-arching objective of facilitating a timely move to a low carbon energy sector while providing safe, secure, high quality network services at value for money to customers is laudable but hugely challenging.

Whether there are practical problems hampering connection to the network. If so, we would welcome evidence of the problems and suggestions for resolution;

The Western Isles Radial Connector is classed by Government as 'enabling works' and connection is not possible until these enabling works are complete. The challenges of providing this link while TNUoS charges remain at their current level, preventing developers underwriting the connection, are well rehearsed above. OHRG has already recommended the capping of TNUoS charges and additional island ROC's as interim measures to release the deadlock. A further option regarding connection might be underwriting by the Government of this Radial Connector given that its provision is in the national interest. I would urge DECC and OFGEM to allow National Grid and SHETL to make a strategic investment in this important transmission upgrade, removing the need for developers to provide private underwriting. This modest financial provision, made in the national interest, will ensure that carbon targets are met and will release circa £1.2bn of investment in the area by private developers.

Whether the current arrangements ensure fair treatment of system users; and

The current arrangements are unfair to developers at the extremities of the electricity network. Given that these developers have the capability to release vast proportions of renewable energy into the system and propel the nation towards its low carbon and supply security targets, this inequity should be removed through this review..

Whether there are particular issues associated with connection arrangements that should be prioritised.

The same issues affect charging as affect transmission in the Western Isles as prohibitive costs are the key deterrent in delivering connection solutions.