

Our Ref: DG/EM/
ORG13-A2588

Your Ref:

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17 November 2010

by email: Project.TransmiT@ofgem.gov.uk

Dear Ms Nugent, Mr Mungall

Project TransmiT: A Call for Evidence

Thank you for providing the Scottish Environment Protection Agency (SEPA) with the opportunity to respond to the above call for evidence.

SEPA has a core remit to protect and improve the environment, recognising the serious threat posed by climate change. No solution to this threat can be found without addressing fundamental questions of sustainability and environmental impacts within the energy system.

Scotland's ambitious climate change targets require a low carbon energy based economy and we are fortunate to have abundant natural resources. Harnessing sustainable low carbon renewable energy must be encouraged as much as possible in order to maximise the potential gain. Scotland is also a significant player making a valuable contribution towards meeting the climate change targets of the UK.

The current process of transmission charging penalises Scottish renewable generation as a consequence of its remoteness from the perceived source of demand (South East UK) whilst rewarding potentially less sustainable forms of generation in closer proximity. This is putting the UK's ability to meet climate change targets in serious jeopardy.

SEPA welcomes current moves to extend the charging agreement to eight years; however proposing a mid term review still makes accurate forecasting problematic. Other charging models should be considered including fixed term agreements and longer term contracts.

Transmission losses are a reality and must be considered, however the present weightings are a major barrier to maximising the speed of development and the faster the take up the better the chances of meeting climate change targets. Flow through the cross border interconnector suggests that much of the energy currently generated in Scotland is consumed in Scotland. and this should be reflected in future weightings. It is anticipated that in future Scotland will have excess renewable capacity which will be available for exporting and the upgrading of interconnection will assist in reducing the UK's reliance on less sustainable generation.

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Planned developments such as pumped storage at Loch Sloy will contribute to smoothing demand. The proposed pan European grid will incur significant transmission losses and tackling disparity (now) at a UK level will inform any future EU wide debate that could potentially disadvantage the UK. It is important to maintain a level playing field whereby UK generators are not disadvantaged compared to those located in continental Europe.

SEPA would welcome a weighting system that favoured/encouraged sustainable low carbon renewables by looking at sustainability and net carbon instead of just location. Such a UK wide model would result in higher carbon technologies contributing more towards the cost of grid access for remote areas with more sustainable generation. As the environmental regulator SEPA currently ensures that proposed generation is as sustainable as possible. By adopting a sustainability/carbon based weighting system renewables are justly advantaged and consequently less sustainable means of generation become less attractive.

The recently published Low Carbon Economic Strategy for Scotland¹ also highlights these concerns and its successful delivery will be affected by any failure to address them.

It is important that a long term view of capacity is taken and not just responding to demand. The over provision of connectivity will future proof the grid, avoiding connection delays and smooth the path for planned generation including future exporting both cross border and to the rest of Europe. SEPA would welcome the adoption of a far sighted approach where possible.

An appropriate charging scheme is a powerful tool that would encourage low carbon sustainable energy generation and influence the pace of development. The current scheme not only penalises some locations but also rewards others. This dichotomy could lead to the supporting of inefficiencies in the subsidised locations, making unprofitable ventures appear profitable with damaging environmental consequences.

SEPA would be keen to participate on the proposed web fora, to comment on issues/options that emerge from this evidence gathering process and looks forward to making more detailed contributions in the later consultations as ideas/policy begin to converge.

As a public body committed to openness and transparency, SEPA feels it is appropriate that this response be placed on the public record. If you require further clarification on any aspect of this correspondence, please contact Eric McRory, SEPA Corporate Office, at the address shown.

Yours sincerely



Dave Gorman
Head of Environmental Strategy

¹ <http://www.scotland.gov.uk/Resource/Doc/331364/0107855.pdf>