

17 November 2010

Mr Stuart Cook
Senior Partner
Smart Grids & Governance
Ofgem
9 Millbank
London
SW19 3GE

Project.TransmiT@ofgem.gov.uk

Dear Mr Cook

Ofgem Call for Evidence – Project TransmiT

Welsh Power Group Limited is a dynamic independent power company, which aims to build an integrated multi-asset European energy business using a buy and build strategy. It is currently undertaking a new power station development, Wyre Power, which will be connected to both the electricity and gas transmission networks.

We would wish to register with Ofgem the following concerns about Project TransmiT at the current time:

Resourcing

As a small independent company we cannot resource participation in a process if it has significant amounts of meetings and a road show style format. We believe that Ofgem should set out detailed terms of reference for the process, so that work can be focussed on what needs to be done rather than what may be nice to do, with meetings notified well in advance. It would be helpful if Ofgem could outline how they expect the process to work and what they want the outputs to achieve (price stability, locational charges, cost reflectivity, etc.). Without greater clarity there is a real risk that this project will create further uncertainty for investors at this already very difficult time for developers.

Welsh Power also believes that Ofgem should try to limit the use of numerous consultants undertaking blue-sky type reports. The industry has a lot of experts, many of whom have experience of a wide variety of transmission charging and access models. The quicker Ofgem can narrow down ideas to workable solutions the better. However, where reports, etc. are commissioned it is vital that they are shared with the market, preferably with easy to read summaries to allow smaller players, such as ourselves, to try to keep abreast of developments. Ofgem policy “steers”, such as confirmation that locational charging as a principle is still favoured, also helps the market anticipate the outcome of reviews.

Scope

As well as the terms of reference, we would ask Ofgem to clarify what the exact scope of the review will be. For example, should we have concerns that our connection agreement may alter, compulsory service provisions be extended, all prices alter, etc.? We would also like to understand how this review fits with the Government’s proposed review of the wholesale market. If changes to the balancing market occur new transmission products could be needed to manage transmission constraints. The more the market understands what Ofgem and Government are trying to achieve the easier it is for them to make informed business decisions.

There are also overlaps with other areas of Ofgem’s work, such as price controls, and NGC’s work on topics such as the SQSS review. Again clarity on the overlaps and how they will be managed would be very welcomed. Ofgem should try to avoid meetings behind closed doors with NGC as the main means to achieve coordination of these bits of work. Transparency is key to reassuring participants that their views are being taken onboard and the balance between NGC’s interests and the interests of market participants is improved. It is after all NGC’s lack of timely investment that has created at least some of the problems the market now faces. We do believe that the SQSS review does need to finish as the other areas of work follow on from understanding what the system design needs to achieve.

SCR

The Ofgem letter in August about possible SCR topics made a passing reference to transmission. We would like to understand if TransmiT is an SCR. As a general rule we believe the modification process should not stall because Ofgem has a review. However the process under an SCR is at least outlined in advanced where a review on a different format is an unknown quantity.

Connections

Wyre Power has only just finished negotiations on varying its connection agreement following the changes to final sums regime. We believe that at the current time the regime is fit for purpose and further changes would be unhelpful. Every time changes occur participants have to use lawyers, spend time discussing changes with NGC, etc. Unless security is to be significantly reduced tinkering will simply add to costs and create further barriers to investment at a time when the UK says it needs new generation to be built.

Wish List

Welsh Power would like to see Ofgem focus on creating a regime that removes barriers to entry and simplifies charging so that players can understand and forecast charges in advance. We would like stability, with no mid-year changes to charges. The key focus of the regime must be about delivering the network needed for the future, much of which is a price control issue outside the scope of this review. Finally we would like to see the review completed in a timely manner, but allowing reasonable period for consultations on any commercially significant changes.

If you wish to discuss any of the issues raised in this letter please do not hesitate to contact me.

Yours sincerely



Alex Lambie
Chief Executive