



px limited

px house  
westpoint road  
stockton-on-tees  
ts17 6bf

tel: +44 (0) 1642 623000  
fax: +44 (0) 1642 634145  
web: www.pxlimited.com

Stuart Cook  
Office of Gas & Electricity Markets  
9 Millbank  
London  
SW1P 3GE

9 November 2010

Dear Mr Cook,

### **Project TransmiT – Response to Call for Evidence**

I write in response to your recent call for evidence with respect to Project TransmiT to express the views and opinions of px Limited, an energy services company based in Teesside.

#### **px Limited**

To put our response in context and to explain our interest in Project TransmiT, it is worth summarising briefly the nature of our business. px Limited has a long history of operating strategic assets within the power sector, including gas, biofuels and renewables facilities and also gas processing operations accounting for approximately 6% of the UK gas consumption. In addition to our operations business we also have a 24/7 energy trading business and offer consultancy and support services throughout the power sector on a wide range of projects.

In recent years we have extended our business to include the development of new power generation projects, the largest of which was the development of a 1020 MW gas fired combined heat and power scheme on Teesside. The project was sold to E.ON UK plc in 2008.

#### **Support for Project TransmiT**

We welcome the news that OFGEM is considering conducting an independent review of UK transmission charges and the associated connection agreement arrangements. We fully support the objectives of Project TransmiT, as described in your call for evidence and believe that these are entirely relevant given the demand for the power sector to invest in low carbon technologies and the problems encountered by the sector in meeting this demand.

#### **Transmission Charges**

The call for the UK power sector to implement a low carbon transition requires a transmission charging regime that encourages greatly increased levels of investment in the industry. As such the transmission charging regime must be fair and non-discriminatory. Yet the current variances between the charges (and in some cases the subsidies) of the UK transmission 'zones' means that immense financial differences between projects are apparent, simply due to different geographical locations. We believe that the current transmission charging regime actually discourages investment in the sector within some geographical locations and thus hinders the UK's ability to meet the environmental and energy goals set by Government.

Registered in England  
Reg.No. 4373756  
Registered Office: px House  
Westpoint Road  
Stockton-on-Tees  
TS17 6BF



For example, if two 1000 MW plants are being developed that are identical in every sense, save that one is based in Teesside and the other is based in London, the difference between the transmission charges applicable to the projects would extend to over £15 million per annum. This is based on the figures from Table 1 (Schedule of TNUoS Generation and Demand tariffs 2010/11) in the technical annex to your call for evidence where it is noted that exported electricity in the North East of England zone is subject to the highest transmission charges in England, being £8.79 per kilowatt, whereas electricity exported in London actually receives a subsidy of £6.41 per kilowatt. The effect that this has on the operating costs and hence the profits of the Teesside plant in this example are clearly significant. More importantly taking such a figure into account, we believe that the transmission charges alone could have fatal consequences for the continued development of such a project in the area.

It has been stated by Government that Teesside is one of the UK's prime areas for the development of Carbon Capture & Storage (CCS) technology. Additionally, the area is also well suited to take advantage of potential highly efficient combined heat and power schemes due to the large heat loads required by incumbent industrial infrastructure. It is well recognised that the development of CCS infrastructure requires an immense level of investment to be committed by the industry, yet the economics of developing CCS ready projects within a region that currently suffers a financial disadvantage due to discriminatory transmission charges discourage such investment. This position clearly does nothing to encourage the investment so desperately needed to make CCS a reality and this is true not only of Teesside, but of all the CCS clusters recognised by the Government, which are in close proximity to North Sea storage facilities (namely Teesside, East Yorkshire & Scotland).

We would welcome changes to the transmission charges regime that result in a fairer and non-discriminatory regime. We believe that the implementation of such a regime is fundamental to ensure increased investment in the sector and thus is key to the delivery of the sector's transition to low carbon generation. As such we believe that the particular issue of transmission charges should be given the utmost priority by Project TransmiT.

#### **Connection Agreements & Capacity Issues**

The current available capacity of the UK transmission system does not allow for the significant increase in generation that is required to meet the UK's growing energy demands. In Teesside, a developer applying for a new connection to the national grid may have to wait up to seven years for the network to be upgraded so that it is capable of transmitting the exported electricity and similar situations are true of other regions around the UK. It seems illogical that all the elements required for such a development could be put in place (i.e. including planning consent) only for the developers to find themselves in a situation where plans have to be shelved, for perhaps four years, until the network can be made ready. In times where increased generation is essential and where the UK needs to support a market capable of offering consumers value for money, the congested transmission network does not support the speed of growth required for competitors to enter the market with the swiftness necessary.

If you require any further information with regards to this response or would like to discuss it further please do not hesitate to contact me on 01642 623000. I can also be emailed at [martin.green@plimited.com](mailto:martin.green@plimited.com)

Sincerely



Martin Green

Vice President & Chief Operating Officer

