

David Halldearn
Director, BETTA
Office of Gas and Electricity Markets
(OFGEM)
9 Millbank
London
SW1P 3GE

Dear Mr. Halldearn,

Response to Transmission Charging and the Wholesale Electricity Market Part II

Talisman Energy (UK) Limited is a major oil and gas producer in the UK, and is actively studying the potential for large –scale offshore generation of renewable energy. We welcome the opportunity to respond to the proposed options for transmission charging in the context of Government policy objectives for growth in renewables.

Talisman is the operator of the Beatrice Oilfield located on the UKCS in the Inner Moray Firth and in 2001 Talisman undertook a study to investigate the potential to use the existing infrastructure as a hub for a large offshore wind farm. The study showed that the concept of the deepwater windfarm is technically feasible. However, economic analysis showed that significant cost reductions were needed to make it a viable commercial proposition.

Since this time, Talisman have joined with Scottish and Southern Energy to undertake further studies and are proposing to test the concept of a deepwater windfarm by constructing a two turbine “Demonstrator” Project. Talisman and SSE have received government support in the form of partial funding for these studies. Currently Talisman are leading discussions with the European Commission regarding European funding for the Demonstrator under the Sixth Framework Programme.

Talisman see the potential for this project to be the forerunner to the development of large deep-water windfarms, capitalising on the UK’s existing oil and gas sector infrastructure and supply chain. If successful, the Demonstrator may lead to a 1GW plant in the Moray Firth, which could provide 10% of the UK’s 2010 renewable electricity target. The successful development of technologies which can be implemented at such a large scale would represent a step change in the growth and implementation of renewable Power generation. Furthermore, Talisman’s approach addresses the significant issue of visual impact, by situating large wind farms distant from shore.

However, there are a number of factors that could have a negative impact on the commercial viability of the project. These factors need to be resolved before this potential can be realised. One such factor is transmission charges.

Talisman supports the proposal that lower charges for renewable generators located in peripheral areas would constitute a targeted approach in line with the Renewables Directive. However, we also note that the position of offshore wind development is

discussed but not clarified. This is partly because the Ofgem/DTI view is based on the current strategic areas that the DTI has identified for offshore wind, which are not seen as being at a disadvantage from a transmission perspective. However, these strategic areas do not include offshore Scotland where the Beatrice wind farm project is located. In order to encourage investment in offshore wind projects where resource is most plentiful (offshore Scotland) and to ensure that any definition of “peripheral” for the purpose of transmission charging rebates/discounts is linked to relative disadvantage, we propose that areas offshore Scotland should be included as qualifying for reduced or rebated charges.

Views are also invited as to the size of the rebate to be given. We recognise that rebates are one way to address the issue. However, in order to give greater certainty and hence remove one of the potential barriers to investment in large scale wind farms offshore Scotland, we support the introduction of a price cap.

We therefore request that the DTI assist in bringing clarity to the likely treatment of an offshore wind farm in the Moray Firth under the new proposals, as soon as possible.

Yours sincerely,

Dr. D. P. Mithen
Director
Talisman Energy (UK) Limited