



**ENVIRONMENT  
AGENCY**

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Dear Ms Hunt

**OFGEM CONSULTATION DOCUMENT  
TRANSMISSION INVESTMENT AND RENEWABLE GENERATION**

I welcome the opportunity to respond to the above consultation on Transmission Investment and Renewable Generation.

The Agency welcomes increased generation from renewables in line with the Energy White Paper goals. Market penetration of such sustainable energy technologies must be encouraged and facilitated by the transmission and distribution systems.

Replacing older plant, such as the coal and oil fired power stations, with new cleaner generation has a number of benefits. It reduces emissions of CO<sub>2</sub>, SO<sub>2</sub>, NO<sub>x</sub> and particulates and it helps to meet the targets of the National Emissions Ceiling Directive (NECD). However, it is important, for security of supply reasons, that there are no barriers to new entry, except for environmental protection considerations.

Since the majority of new wind power generation is located remotely, and other emerging renewable generation technologies are dispersed in many regions, it will be essential that transmission capital charges are met in a practical way. At present, Ofgem notes that there is no mechanism to adjust present controls to finance the increased transmission charges as no new capital investment was foreseen at the time the scheme was established.

Transmission asset owners (TOs) are obliged to offer terms to any new operator to link to the Grid. We wish to see changes to market regulation managed to allow a smooth transition to a different future energy supply system.

**The Environment Agency view**

We welcome the declared intention of Ofgem to avoid any approach that will stifle new renewables generation. We believe that:

- Measures should be taken to enable an increase in generation from renewables;
- TOs need support since it is unplanned additional expenditure;
- We should not wait until 2005 or 2006.



Therefore:

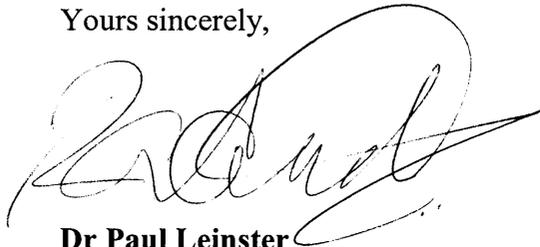
- Do nothing is not an option (Option 1)
- There is not enough time to completely review the schemes before new installations may need to be linked to the Grid (Option 2). For planning purposes a solution is needed now.
- Our favoured option is an interim adjustment mechanism to provide for linking new installations to the Grid (Option 3).

We do not believe this should be a means of the TOs either making more money or becoming less efficient, but purely as a means of enabling the linking of new supply installations to the Grid. The new supply is fundamental to government energy policy and needs to be enabled at an early stage. This allows for practical experience of interim new mechanisms which can be followed by the process of re-negotiation for the entire Scheme in 2006/7.

We note that the more detailed consultation will include a Regulatory Impact Assessment (RIA). The Agency has previously discussed the need for an Environmental Impact Assessment (EIA) to be undertaken by OFGEM, and would expect the goal of meeting renewable energy targets to be a key issue in the RIA.

We would be happy to discuss any of this further.

Yours sincerely,



**Dr Paul Leinster**  
**Director of Environment Protection**

