

BY EMAIL

30 January 2004

Mr David Halldearn
Director, Scotland and Europe
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Dear Mr Halldearn

Response to Small Generator Issues Consultation

As Scotland's main economic development agency, Scottish Enterprise (SE) generally supports the principle behind the BETTA project. It is, however, also our view that the proposals, as they relate to the small generator, will have an adverse effect on encouraging the development of renewable energy in Scotland.

Scotland has the ability to produce significant energy from renewable sources. It is therefore of paramount importance that support be given to the small generator and that it be clearly shown that they will not be discriminated against with regard to price.

One of the major areas of concern relates to the cost, borne by generators, in connecting to the 132KV grid. There is evidence to show that there could be a wide difference between connection charges in Scotland, and those in England and Wales.

Under the planned new National Grid proposals, it has been suggested that even with the proposed rebate of £2/KW there could be a differential of between £6/KW - £44/KW.

The concerns are that these costs differences will create barriers for the development of renewable energy in Scotland and will make it more difficult to achieve the Scottish renewable targets of 18% renewable energy generation by 2010 and the aspiration of 40% by 2020.

As an economic development agency, we want to ensure that the new and growing renewable energy sector be allowed to develop and establish in Scotland. This of course would be to the benefit of the UK as a whole since Scotland has the best wind and wave regime in Western Europe and therefore could be a significant power house in providing renewable energy in the future.

It is our view that more time should be given to further discussion with the electricity industry before finalising decisions. We would further advocate that this take place after the upgrading of the Scottish transmission has taken place, as highlighted in the Renewable Electricity Transmission Study where 132/KV transmission lines are upgraded to 275/KV and 400/KV to carry bulk electricity over long distances.

We believe that on completion of this work there will be a clearer understanding of the overall picture of UK distribution / transmission issues and therefore, we all would be in a better position to agree a more equitable pricing policy between Scotland and England and Wales.

Finally regarding the overall impact of the BETTA on Scotland, it is our belief that the proposals as they stand will,

(a) bring about significant additional costs to the generators in Scotland with consequential on cost to the consumer

(b) reduce the viability of small generation in Scotland

(c) create barriers to achieving the 18% and 40% renewable targets by 2010 and 2020

(d) bring about possible future supply problems because the Transmission Use of System (TUoS) charges will affect both renewable and conventional power generation. Such costs could even bring doubt as to the viability of Peterhead Power Station and also some of the more recently upgraded large hydro schemes in Scotland

(e) significantly reduce the likelihood of Scotland's industrial cluster's ability to secure a leading position in the emerging supply chain. It would further reduce the opportunity to develop new technologies flowing from academia and industry

(f) reduce the opportunities for the Energy Intermediary Technology Institute (EITI) to capitalise on these important technology developments in its domestic market

In preparing our views we are aware that the electricity industry in Scotland will, at the same time, be providing you with more detailed evidence for you to consider. We, in Scottish Enterprise, have restricted ourselves to the broader economic impact that your proposals might bring. We would be happy to discuss this further with your officials

We hope this observations and views will be of assistance in the overall consultation process, and look forward with keen interest to the conclusions.

Yours sincerely

Robert M Crawford