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Friday 11 June 2004

Dear Jonas,

BWEA Reponse: Transmission Investment for Renewable Generation – Second Consultation

BWEA was established in 1978 and is the representative body for companies active in the UK wind energy market. Its membership has grown rapidly in recent years and now consists of over 320 companies including all grid-connected wind energy and every company with a lease to develop offshore.

Wind energy is widely recognized as an abundant energy resource indigenous to the UK. Most commentators accept that wind is likely to represent at the very least half of the Government's '10% by 2010' target because of the maturity and low cost of wind powered generation relative to other forms of renewable electricity generation technologies. Continued growth of installed wind energy generation capacity beyond this 10% 2010 baseline is almost guaranteed.

BWEA welcomes the opportunity to respond to this consultation. As the consultation paper recognises there has been an increase in applications for connections by renewable generation much of this in Scotland. It is timely and welcome that consideration is being given to the practicalities of developing the transmission network to accommodate this. However we note that the issues being addressed arise from the applications to connect generation rather than the fact that such applications are, in the main, by renewable generators. We therefore find the title of this consultation document to be misleading. We would expect this debate to be undertaken whatever the ultimate fuel source of the generation projects concerned.

Upgrading the transmission system

BWEA believes that the planned upgrades to the transmission system are necessary and that they should be delivered at the earliest opportunity. We therefore welcome Ofgem's



view that it is appropriate to develop an adjustment mechanism to supplement the existing price controls.

Form of the adjustment mechanism

BWEA notes Ofgem's view that a cost pass through would not be appropriate. However we are not in a position to provide a firm view as to whether a lump sum allowance or a revenue driver is the most appropriate mechanism. We agree that revenue drivers require suitable and robust output measures.

BWEA notes that NGC already has a revenue driver adjustment of £23 per annum per MW of additionally connected generation. This equates to an NPV of over £300 per kW connected. However such a driver may not be appropriate in the context of significant new infrastructure developments.

It may be appropriate to develop a funding mechanism as is proposed for the next distribution price control which combines a measure of cost pass through with a revenue driver.

Economic construction of reinforcement

BWEA agrees that it is necessary that an agreed reinforcement should be constructed economically. This however is not the same as providing an economic justification for the level of reinforcement.

BWEA does not believe that (in this instance) it is necessary to justify the level of reinforcement in terms of avoidable constraint costs since this is phase one of a potential three phase reinforcement.

It would be inappropriate for undue attention to be focussed on the level of reinforcement for phase one, if this were to lead to increased costs of reinforcement and/or constraint costs in subsequent phases of reinforcement. The aim should be to minimise the overall cost of this and subsequent upgrades.

Access to the transmission system

BWEA is concerned over the current restrictions on providing connection to the networks in Scotland. Whilst the proposed system reinforcements are being constructed, BWEA believes that the network companies should be incentivised to find new ways of managing the existing infrastructure in order to enable additional connection of new generation.

BWEA is further concerned over NGC's proposals for GB access as outlined in their recent consultation.

BWEA believes that an alternative approach to providing access to the transmission system could be developed. We have outlined such a possible approach in our response to NGC's consultation. A copy of that response is attached to this consultation response and we would welcome the opportunity to discuss this further with Ofgem.

If you have any questions please feel free to contact me at any time.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Ford', with a long, sweeping horizontal stroke extending to the right.

Richard Ford
Head of Grid and Technical Affairs
British Wind Energy Association