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11 June 2004

Dear Jonas

**Scottish Renewables Response to Transmission Investment for Renewable Generation –  
Second Consultation**

Scottish Renewables Forum (SRF) is Scotland's leading renewables trade body. We represent over 100 organisations involved in renewable energy in Scotland. Further information about our work and our membership can be found on our website.

Firstly, many thanks for the opportunity to respond to this consultation. As the consultation paper recognises there has been a substantial increase in applications for connections by renewable generation, and at the current time much of this in Scotland. There are significant issues here about how the System Operator should respond to connection requests, and how Ofgem should act in authorising investment.

In some ways renewable energy projects are different to traditional large conventional energy schemes. Regulation is still geared up to supporting connection of national infrastructure projects such as large power stations. It is therefore good to see Ofgem considering how to manage and not "freeze out" connection of a more dispersed and diverse mix of generation.

Development of renewables will continue to be important, both for Scotland and the rest of GB. Post-BETTA we need investment in transmission to be accelerated if aspirations for renewables in Scotland are to be realised. While doing this, we accept the need to develop new assets sensibly and at least cost to the consumer. We have therefore proposed an alternative to NGC's Access proposals, that we discuss further below.

**Transmission system upgrades**

SRF 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**

SRF also 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.

SRF 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**

SRF 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.

SRF 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.

It should also be noted that investment in phase one is useful not only for connection of new generation but in helping stabilise the grid network for customers in the Highlands area.

### **Access to the transmission system**

SRF is concerned over the current restrictions on providing connection to the networks in Scotland. Delays are jeopardizing investment in renewables projects, and also increasing the final cost of projects, as the cost of capital must increase. This is not good news for developers or consumers.

Whilst the proposed system reinforcements are being constructed, SRF 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. Such work might look to reform and promotion concepts such as "innovation zones" being proposed in distribution.

### **NGC Access Proposals**

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

SRF 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.

Put briefly, it is our view that all grid applicants should be provided with a connection to the transmission system. The System Operator should undertake to provide this connection within a

defined timescale (we would suggest a period of between 24 and 36 months from the connection offer).

After this time has passed, the generator should be allowed full, firm access rights. If necessary, the SO should contract with generators and or demand to manage constraints either through the Balancing Mechanism or through balancing services contracts.

A copy of that response is available on our website\* and we would welcome the opportunity to discuss this further with Ofgem.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Maf Smith', is positioned to the left of a vertical line. The signature is stylized and cursive.

**Maf Smith**  
Chief Operating Officer

\* see: [http://www.scottishrenewables.com/data/reports/SRF\\_access\\_rights\\_response\\_04-06-04.pdf](http://www.scottishrenewables.com/data/reports/SRF_access_rights_response_04-06-04.pdf)