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Mr David Halldearn Director, Scotland and Europe Ofgem 9, Millbank London SW1P 3GE

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Dear Mr Halldearn

## **Response to Access rights – transitional licence condition**

Thank you for the opportunity to respond to the Ofgem/DTI consultation on the initial allocation of GB transmission system access rights under BETTA. This response is provided on behalf of Fred. Olsen Renewables Limited (FORL). FORL and Natural Power are developing a number of licence-exempt, distributed windfarms in Scotland:

- Crystal Rig is a 50MW windfarm connected at 33kV to the Scottish Power Distribution network;
- Pauls Hill will be a 64MW windfarm connected at 33kV to the Scottish Hydro-Electric Distribution Ltd (SHEDL) network; and
- Rothes will be 50MW windfarm connected at 33kV to the SHEDL network.

Crystal Rig is already operational, whilst Pauls Hill and Rothes are both under construction, having been fully consented and having accepted offers of connection from SHEDL.

Although distribution connected, generation from all three sites, but particularly Pauls Hill and Rothes, may export onto the transmission system for all or part of the year. Under the present trading arrangements we enjoy financially firm transmission access rights that we do not believe will be retained under BETTA. Our *Constraint Services Agreement* with SHETL ensures that in the event that SHETL has to constrain-off generation from Pauls Hill or Rothes due to main system constraints, that we shall be compensated for the full economic value of the lost generation. FORL supports the proposed initial allocation of GB transmission system access rights as being a sensible allocation mechanism for access to the transmission system for transmissionconnected generators. However we believe that the mechanism and consultation are too narrow having failed to consider the position of distributed generators. As a large proportion of the new Scottish renewable generation capacity, the growth of which largely underlies the concern over available transmission capacity, is likely to be distribution connected, this is a major omission.

Whilst we recognise that under BETTA distributed generators shall no longer be liable for Transmission (Network) Use of System charges, at least initially<sup>1</sup>, we are concerned that we will no longer have financially-firm access rights. As we understand it, under BETTA, distributed generators will be able to export their full available generation. However, we are concerned that over time, new distributed generator connections could result in the DNO being required by the GBSO to constrain the export from some Grid Supply Points (GSPs). This could particularly be the case if the DNO does not have to take account of available transmission capacity in granting distribution connection agreements.

At present there is no mechanism for a DNO to follow when allocating scarce export capacity from constrained GSPs, and as such we cannot estimate the potential impact such a scenario could have on our projects. We believe we would be reliant on the DNO licence requirement not to unduly discriminate between parties. This is not reassuring (particularly in the north of Scotland where a large proportion of distributed generation is owned by the DNO's parent company). We are concerned that without a more specific allocation principle, any need to constrain embedded generation from a GSP or GSP Group could lead to all embedded generators being constrained equally, rather than just the latest connectees. This lack of certainty over the potential impact that transmission constraints could have on distributed generators creates substantial new risks for project developers and is likely to affect hundreds of MWs of proposed renewable developments.

Within distribution networks, we would prefer to see the formal adoption of the same access arrangements in principle as those proposed for to transmission-connected generators – namely that export capacity from distribution networks be allocated first to those generators with existing agreements as of 1 September 2004 and thereafter on a first-come first-served basis. Whilst export from DNO GSPs remains unconstrained, this approach would have no impact on distributed generators or DNO connection procedures, but if constrained, would require DNOs to take explicit account of available GSP export capacity when issuing offers of connection.

We are also concerned that if NGC's Charging Methodology is later amended to require TNUoS payments on the export from some distributed generators, that such generators would be given the same rights of access to the transmission system as transmission-connected generators. To do so would require explicit recognition of distributed generators alongside transmission-connected generators within the presently proposed allocation of initial access rights.

<sup>&</sup>lt;sup>1</sup> In its 'GB Transmission Charging: Initial Methodologies Consultation' of April 2004, NGC suggested that the application of the transmission charging methodology to distributed generation should be considered further in the short-to-medium term.



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FORL recognises that Ofgem/DTI do not wish to undertake a thorough review of transmission access as part of the BETTA implementation programme, but we believe that you must recognise that the proposed mechanism represents a substantial reduction in the existing network access rights of distributed Scottish generators, and as such it is imperative that this be addressed. The uncertainty that arises over the ability or not of distributed generators to generate under BETTA, as the capacity of distributed generation increases, must be addressed if developers are going to be able to finance their proposed projects.

## Conclusion

To reiterate, a number of distributed generators in Scotland presently enjoy financially firm transmission and distribution access rights that under the proposed BETTA framework will be removed without consultation. We therefore conclude that is necessary for the BETTA programme to establish in principle the access rights of distributed generators to the transmission and distribution networks. We also believe that the mechanism by which access rights would be allocated between distributed generators needs to be established at this time.

Yours sincerely

N.A Emery