
From: Greig, Elaine E [mailto:Elaine.Greig@amec.com]
Sent: 07 December 2005 19:21
To: Colin Sausman
Cc: Grainger, Bill
Subject: Enduring transmission charging arrangements for distributed generation

Colin,

AMEC is pleased to be able to review and respond to this discussion.

We fully endorse the joint response from SRF and BWEA.

In addition, we would like to make the following comments:

Whilst AMEC agrees that costs for the transmission system should be fairly distributed, we are concerned about the effect that extending the existing regime to distributed plant may have. The principle of locational charging does not appear consistent with Ofgem's new statutory duties, referred to in the consultation under 1.11 and 1.12, to contribute to the achievement of sustainable development and promotion of electricity from renewable sources. The government's renewables target is largely dependent upon onshore wind, which, due to land restrictions, is by necessity located in remote areas eg Scotland. Thus hefty transmission costs in Scotland do not result in generation being moved to preferred locations from the perspective of efficient network use. In contrast, they result in a go/no-go situation for the generator. Where development is prevented by the high charges the results can only be missing the UK renewables target, resulting in a net environmental cost to UK plc, and the consumer, which does not appear to be included in the cost calculations. The extension of locational transmission charging to distribution connections would create further go/no-go situations which may result in less generation being constructed.

With respect to distributed generation, it is clear that exporting GSPs appear to National Grid as a generating source. It is also clear that the effect on the transmission system of adding 1MW of generation in Scotland has the same effect as removing 1MW of demand in Scotland. Equally adding 1MW of generation in London has the same effect as removing 1MW of demand in London. Not quite directly comparable due to losses, but of most significance is that adding 1MW of generation in Scotland has a broadly equivalent effect on the transmission system as adding 1MW of demand in London. A new connection site which has a demand, but has its own generation to meet that demand and uses the grid connection for stability, has no net effect on transmission flows, although may choose to benefit from the strength of that system. Thus we consider that charging should be based upon generation and demand on a consistent basis, at GSP connection points, and not be based on generator size alone.

With respect to the seven options in the consultation it is clear that the first two are untenable. Our preference would be for option 7, with a DNO agency, to encourage active network use and ensure that there is a single point of contact for NGET at each GSP, i.e. the DNO, who then takes responsibility for the downstream network. It seems excessively cumbersome for NGET to have agreements with every generator, and several market mechanisms would need to be changed. We would caution against the use of the supplier agency proposals as using this method could encourage suppliers to source generation within GSP groups to avoid using the transmission system. This could cause a problem for smaller generators, or those who do not have framework agreements with suppliers in a portfolio, in being able to sell their energy, and may result in a two-tier valuation dependent upon whether the energy is sold within the GSP group, or without.

I hope that this is helpful,

Regards,

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