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**Response to Ofgem “Transmission Price Control Review 2007-2012 – Third Consultation”**

**Introduction**

Infinergy Ltd is a Joint Venture company which brings together the strengths and skills of two major companies, Savills (L&P) of the UK and Koop Duurzame Energie (KDE) of the Netherlands.

Savills (L&P) is a wholly owned subsidiary within Savills Plc, a British based company and a leading international property services company with a full listing on the London Stock Exchange.

KDE is a wholly owned subsidiary within the Koop Group, based in the Netherlands but involved internationally in major construction, engineering and contracting projects.

Infinergy is a developer of onshore windfarms in the UK. Our most advanced and public project is the 190MW Lochluichart development in Northern Scotland for which we applied for planning consent in November 2005.

Our comments on the consultation are limited to chapter 3 which discusses changes to the incentives for transmission licencees and options for changing transmission access arrangements.

**Incentives for Transmission Licencees**

Infinergy welcomes the proposal to introduce locational revenue drivers to provide an incentive for the transmission licencees to find more economic ways of connecting additional generation. Infinergy has received a number of connection offers from National Grid for projects in Scotland. We are convinced that these offers do not provide the most cost-effective method of connecting our sites but our ability to influence the proposed works is extremely limited. As well as increasing costs which will ultimately be borne by consumers, this directly concerns Infinergy in that it increases the final sums security requirements for our projects and, where excessive works are specified, increases planning risk and leads to later connection dates.

Experience suggests that appropriate incentives can be very effective in extracting cost reductions in the electricity sector. Given the right incentives, we feel sure that the transmission licencees will be able to find innovative

ways of making more effective use of the existing and upgraded transmission system. However we remain concerned that the standards set out in the SQSS may prove a constraint. Clearly any change to the SQSS needs to be considered carefully but we question whether the standards are appropriate in circumstances where reinforcements are effectively catering only for intermittent wind generation rather than securing demand.

### **Options for Transmission Access Arrangements**

The current arrangements for handling Transmission Access are in urgent need for reform. The long-run position set out in the connection offers provided by National Grid for projects in Scotland are, in the majority of cases, completely unworkable.

We welcome Ofgem's recognition of the requirement for reform and agree with the key principles, namely:

- a lower and more stable level of commitment during the period before TEC is granted
- a continuing commitment once TEC has been granted

We note that detailed proposals are being developed by ARODG and await their report with interest.

While it is encouraging that the need for reform of the current arrangements is generally recognized and is being actively addressed, we are concerned that the reforms are unlikely to be in place before April 2007. In the meantime, National Grid will be issuing further secured amount statements on the basis of the existing policy which could lead to excessive and unnecessary security requirements. This discriminates against the smaller players in the industry as the larger players are better able to withstand what is likely to be a short-run phenomenon. We would suggest that, pending reform of the current arrangements, security requirements for early stage projects in Scotland should be capped in £/MW terms.

Yours sincerely

**Infinergy Ltd**