Access Reform Options Development Group Report

Response from the Renewable Energy Association

The Problem

The Renewable Energy Association agrees with many others in the industry that the current approach of *"invest and connect and require users to guarantee the cost of this investment"* is not working and is an obstacle to the development of many high quality and otherwise viable environmentally friendly generation projects. The main reasons for this are:

1. The fact that transmission construction time scales now often exceed those for the generation capacity. Therefore commitment to significant transmission expenditure is required *before* commitment to significant expenditure on the new generation itself, indeed sometimes before the new generation even has planning consent.

2. The fact that in many cases the cost of the transmission investment is high relative to the cost of the individual generation projects that may precipitate it. Although clustering may help, it is impossible for many of the (relatively) small projects to provide the guarantees being requested.

It is clear that there is no obvious simple solution to these issues. All proposals have their downsides in terms of transferring cost or risk onto other parties. We however think that a number of principles should be followed in whatever solution is adopted. Rather than comment in detail on the specific straw men developed by the ARODG we suggest some general principles against which any proposal should be judged.

Principles

1. The largest amount of renewable power resources possible should be allowed to connect to and use the system, in order to facilitate Government Policy.
2. The network should be utilised as fully as possible i.e. generators should be allowed to connect earlier than they are at present, if the system can efficiently accommodate them, the resulting constraint costs should either borne by other users or by the generator itself through less than fully firm access for a period.
3. There should be some level of commitment by users before significant transmission expenditure is incurred.
4. It should be recognised that at the end of the day costs are born by end customers. It is of course important that these costs are incurred

efficiently. The risk of investing in transmission assets that may prove to be abortive in the short term, needs to be weighed against the risk of renewables projects not proceeding. Both have costs.

5. Given that the main driver of the current difficulties is the need to commit to substantial transmission expenditure before a generation project is certain to proceed, the option to delay certain transmission investment and allow connection on a less than fully firm basis, generally for a limited period, should be developed further. It may be that an option for less firm access for a limited period would be combined with lower final sums liabilities at the earlier stages of a project, corresponding to a delay to the transmission investment schedule. Options for allowing existing fossil fuel generation to opt for less firm access, for example under high wind conditions should also be considered.

A possible straw man

The REA believes that the basis of a straw man worthy of further development that complies with the above principles would be based on the features below.

The guarantee and liability for Final Sums should be the minimum of the actual expenditure according to the clustering methodology and a fixed fee per MW plus [5] years of the current TNUoS charges for the zone in which the generator is to connect. The TNUoS charge component would be set to zero for zones with negative charges. This level of guarantee should also cap the level of actual liability for final sums payment in the event of termination.

The generator would be allowed less than firm access as soon as it could physically connect to the system, before any reinforcement works had been completed. The level of firmness should increase as reinforcements were completed. Users would be able to choose when they wanted to become liable for the TNUoS component of the amounts described in the preceding paragraph and the system operator would not be obliged to commit to any infrastructure reinforcement work until the TNUoS component was guaranteed. The later this happened the later the infrastructure work would be completed and the later fully firm access would be granted.

Under this proposal generators get a choice:

1. They can get fully firm access as soon as they would now in return for an immediate final sums liability of the minimum of the actual transmission commitment and a fixed sum per MW plus [5] years current TNUoS charges (with a floor at 0).
2. They can defer the liability for the TNUoS component, perhaps until they have more certainty about the project, in exchange for the later granting of fully firm access.
3. Generators have non firm access as soon as they can physically connect to the system, the degree of firmness increasing as reinforcements are completed.

We would be very happy to discuss this proposal with you further if you wish.