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Dear Mark

ACCESS REFORM IN ELECTRICITY TRANSMISSION- WORKING GROUP REPORT AND NEXT STEPS

West Coast Energy Ltd welcomes the opportunity to comment on the issues set out in the discussion document on the management of access to the GB Transmission System as published by the Access Reform Options Development Group (ARODG). We have acted as consultants to a number of major windfarm projects throughout Great Britain and have obtained consent for over 400 MW of projects with a further 1000 MW either going through planning or with a planning application being prepared. West Coast Energy Ltd is a member of the BWEA and is broadly supportive of their response and in particular the move to a 'Connect and Manage' philosophy. We fully recognise that the key issue in the debate on access arrangements is the allocation of risk between the developer and transmission businesses; but that being acknowledged we would like to make some comments on the various facets of the ARODG report:-

1) We would welcome a move to having Final Sums Securitisation (FSS) only on local transmission works; the imposition of Final Sums on reinforcements of the wider Main Interconnected Transmission System is too onerous especially for relatively small projects. A move to FSS on local works only, would also assist in reducing the volatility of the Final Sums.
   One aspect of the Final Sums which was not considered in the ARODG report or the BWEA response is their lack of transparency. These Final Sums, usually expressed in terms of tens of millions of pounds are put forward with no explanation and no calculations of how they have been arrived at. Given the risk averse nature of the Transmission Businesses it is inevitable that these are conservative (i.e. they will tend to be on the high side) and it is not possible for developers to commit the resources to investigate and go through these in detail for every project. Given the relatively small number of projects surely this is a function that should be carried out by OFGEM or their appointed consultant to

establish if these Final Sums are reasonable. Similarly any move to making the Final Sums firm from the date of signing will lead to an increase in the Final Sums by the transmission businesses in order to avoid risk.
On balance we support a move to Final Sums based on local works only, plus a fixed sum to cover the initial costs until say, consents had been achieved and plant procurement had begun. This fixed sum should be sufficient to deter speculative applications and should be set at a level such that the costs of the transmission businesses are covered at all times

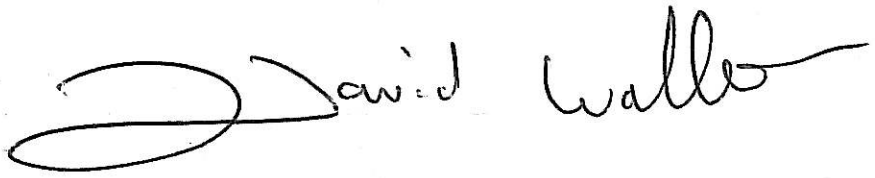
2) Under the 'Connect and Manage' philosophy we favour a move to the provision by National Grid of TEC within three years of signing a contract committing the project to paying TNUOS charges and local works being completed. We believe a commitment by the generator to pay TNUOS charges for a minimum of 5 years is not unreasonable as it reflects commitment on the part of the generator, offers the transmission businesses some guarantee of an income stream and is not out of line with similar obligations in Distribution Business Connection Agreements.
Obviously if the necessary wider network reinforcements have not been completed, the granting of a TEC could well lead to National Grid as System Operator having to pay increased constraint payments.
For a generator there is interplay between gaining access to the grid and the security of that access. A generator may be willing to have a less secure connection to the transmission network if that would allow earlier access than under the traditional 'Invest and Secure 'philosophy. In turn this has to be balanced against the ability of the generator to obtain project finance. Perhaps a load management (or interruptible) product could be developed in which a generator could be constrained off for a limited period in time, say for a maximum of X hours per year, in return say for lower overall TNUOS charges.
In addition to constraints arising as a result of the lack of secure transmission network capacity there is a separate issue of constraints arising from operational reasons, for example during the summer when the demands for electricity are low but there may be too much (to be defined) wind capacity available.
The whole issue of constraints, their management and financial implications requires a detailed separate study.

3) We would favour some means of Trading Capacity additional to the very limited opportunities available at present. When a connection application for example a wind energy project is made there may be uncertainty about the electrical capacity required especially as this can be modified during the planning process. Again developers will tend to be conservative and ask for more capacity than they will ultimately utilise and the ability to trade this capacity,(or purchase it if the capacity is insufficient), could be mutually beneficial between projects and also aid the National Grid in its Licence obligation for efficient investment.

4) One further omission in the ARODG report is the necessity in some instances for National Grid to take a strategic view to transmission access and reinforcements. The present system can lead to piecemeal reinforcements to the existing Main

Transmission Systems which can ultimately be inefficient. A move to a generator being only liable for Final Sums associated with Local Works should allow National Grid to develop a more strategic approach to reinforcements to the wider Main Transmission System. Such a strategic approach would be useful in situations such as mid-Wales where the lack of existing transmission system infrastructure is holding back new renewable energy projects because at the moment any new suitably sized project which triggered a major reinforcement would face the prospect of securitising enormous sums for the huge works required.

If you wish to discuss any of the above please do not hesitate to contact me



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