

Fred. Olsen Renewables Limited
Kings Scholars House
230 Vauxhall Bridge Road
London SW1V 1AU
Tel: 020 7931 0975
Fax: 020 7931 7449

Reg. No. UK & Wales 2672436
VAT Reg No. 792 2100 49

For the attention of Mark Copley
Ofgem
9 Millbank
London SW1P 3GE

6th June 2006

Dear Mr Copley

Re: Draft response to the report by the Access Reform Option Development Group (ARODG)

Fred. Olsen Renewables Limited (FORL) is one of the largest wind power generating companies in Great Britain. We have a range of projects at all stages of development with 156MW in operation, 22MW under construction and 450MW under offer for grid connection. Of the 450MW under offer, 275MW represents projects that have consents and are capable of being constructed.

General

FORL believe that the current principals of invest and connect is inefficient particularly in an overheated market such as we have seen in Scotland.

- Sends the wrong signals on the level of reinforcement required. It has to be recognised that much of the capacity applied for will not be built.
- Is inefficient in the allocation of available capacity. First come first served based on date of application means consented projects capable of construction are delayed behind projects awaiting consent.
- FORL believes that the current proposals also place too much risk on generators who are not best placed to manage it.

FORL believes a debate is required on a more managed approach and welcomes the ARODG report.

Security

FORL believe that a revision to the current Final Sums Methodology is required as the balance of risk sits too much on the side of the generator.

- 1) The existing system produces final sums that are out of proportion to the investment to be incurred by the generator. FORL currently have a windfarm project with a final sum equal to the expected investment for the total windfarm.
- 2) The current proposal produces a high degree of volatility in the sums to be secured. As generators drop out the remaining sums are reallocated over the generators remaining. As a result :
 - projects may fail as they are unable to carry “other” generator’s obligations.
 - Potentially for over investment in the Transmission network with little incentive for solutions to be re-engineered.
- 3) FORL are not in favour of amendments that lower the barrier to entry and benefits speculative projects and would not support moves to lower final sums for projects without consent. FORL are concerned that any reduction would delay construction of shared assets so penalising consented projects. Additional security should not fall on consented projects and would find it perverse if NGET would take the risk on non consented while requiring consented projects to provide full security.
- 4) FORL believe that :
 - a) Sole user assets require to be secured 100% with NGET but the generator requires greater control over when these works commence.
 - b) For shared assets generators should show a greater commitment at time of acceptance but obligations should be capped in some form.
 - c) Due to the level of demand FORL can see no requirement to secure deeper infrastructure.

Many of the proposals developed by the Group have merit and are worthy of further consultation on how the balance of risk should be allocated.

Restricted Rights

FORL believe that the existing range of products are too short term in their nature. We do not believe that there are sufficient incentives for unused capacity to be utilised.

FORL would like to see a range of products developed that could provide TEC for a period of 1 to 5 years, allowing projects to be constructed ahead of the completion of major reinforcements. We believe that NGET should be incentives to manage unused capacity.

Unrestricted Access

Currently substantial risk in delays to the construction of connection lies with the generator. FORL are aware that many of the connection dates associated with the Beaulieu to Denny upgrade are uncertain due to the expected delays in the planning process for that route.

Planning for windfarm projects is usually time limited and has to have been constructed within 5 years of issue. We have windfarms with consents awarded in September 2004 and August 2005 waiting firm connections dates from the grid operator. In addition, land options are also time limited and generators are also nervous in committing capital expenditure to their own construction plans while connection dates are uncertain. Any delay in construction of the connection could result in planning and land agreements expiring or stranded assets for the generator. This is a major concern to generators particularly if substantial final sums have also been provided. Currently NGT can amend all timescales to reflect delays in consenting and construction of the connection without penalty.

FORL believe that generators should provide significant commitments on acceptance to secure connections and NGET should be obliged to provide a financially firm connection within X Years of application. We believe given this certainty many applications would be withdrawn by generators until their consent and construction became more certain. While NGET would have to more actively manage connections we believe in the long run it would give better signals of when significant investment was due.

Some proposals by the Group have merit in rebalancing the risk profile between generator and transmission operators and should be subject to wider consultation.

Conclusion

The current methods of providing access to the transmission system is inefficient and NGET should take a greater management role to enable connection of projects capable of construction. This will involve a greater allocation of risk for which they should be rewarded. All risk has cost but it is lowest when managed by those best able. All cost eventually falls on the consumer. In terms of time and level of investment that is best managed by NGET.

Yours faithfully



N. A. Emery
For and on behalf of Fred. Olsen Renewables Limited

nae/emb

06/06/06