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Dear Robert

**The Transmission Price Control Review – updated proposals – consultation
Response from Scottish Renewables**

Please find enclosed Scottish Renewables' response to your latest consultation on the transmission price control review.

Scottish Renewables is the leading trade association representing the renewable energy industry in Scotland. We work with over 200 member organisations in the renewable electricity, heat and transport sectors. Further information on our work and membership can be found on our website.

Following wide consultation this response represents the views of Scottish Renewables' members. In addition, our work on network issues is supported and informed by our expert working group on grid issues.

Firstly, many thanks for the opportunity to respond on what is an important issue for both the Scottish and UK renewable energy industries. Successful development of renewables will depend on successful regulation and development of the transmission network throughout GB, but particularly in Scotland, where current demand for connection from new generators has created a substantial queue for connection, and leading to increasing frustration within the development community.

In summary I must say that Scottish Renewables is deeply disappointed that, despite valuable debate and discussion that has been ongoing since the Department of Trade and Industry brought different groups together in February 2006, and also following the valuable Access Reforms Option Development Group discussions and process, Ofgem has apparently abandoned work on transmission access reform and opted for an approach that must (largely) be characterised as business as usual.

We still see that this new Transmission Price Control Review (TCPDR) represents the best opportunity currently available to bring in the reforms necessary to ensure the GB transmission system is up to the task of meeting future energy needs.

User Commitment for transmission access

We are aware that in the December 2005 TCPR consultation Ofgem stated that its current view was that:

options based on user commitment should be the focus of this TCPR, while also seeking to ensure an appropriate allocation of risk between network users, transmission companies and consumers.

Since this time, industry has engaged actively in discussions on National Grid on the current Final Sums Liability system that underpins transmission access and connection agreements. We would like to point out that we broadly support the proposals put forwards by National Grid to introduce an enduring change here. However, we see that it will be important that current rights in existing connection agreements are preserved, and that the new User Commitment model is applicable only to new applicants. We see no reason to change existing agreements retrospectively.

Also, on the issue of the User Commitment, we would note that changes to User Commitment is only one issue that Scottish Renewables sees as important in looking at access reform issues. Indeed, the User Commitment changes now being taken through the CUSC modification process are more relevant to security of network investment than overall transmission access.

Access Reform Options

In the March 2006 TCPR consultation document Ofgem noted that it had recently:

set up an Access Reform Options Development Group (ARODG) to facilitate cross-governance discussion of access related issues

and that:

We are keen to keep the access debate moving and, as such we will seek to clarify to price control; consequences of different models as they emerge from the process being managed through ARODG.

In the June 2006 TCPR consultation Ofgem noted that:

We are pleased with the progress being made through the ARODG process, and will monitor next steps carefully and seek to facilitate further progress where we can... As potential options for change are developed and proposed, we will separately ensure that interactions with the TPCR are identified and consulted on.

Since this point, ARODG has reported and Ofgem has consulted on this report. Scottish Renewables is clear options in this report need to be pushed forwards. It is our clear view that a Connect and Manage approach is a suitable way in which to manage access to the transmission system as we move forwards.

While some of the options in the ARODG report could be introduced as code modifications, others such as connect and manage will require more fundamental changes that are the responsibility of Ofgem (such as SO and TO incentives) which would be best introduced as part of the transmission price control.

Furthermore, we would like to highlight our disappointment that National Grid has decided not to proceed with development of alternative charging products that could incentivise and fast track connection of generation such as renewables. Given that such charging products would be necessary in moving to a Connect and Manage approach, we are disappointed that Ofgem is not looking at how it can incentivise such development under the TPCR.

In conclusion, I must reiterate our deep disappointment that Ofgem – having initiated valuable discussion through ARODG – has failed to take forwards this work in any meaningful way. We can only conclude that Ofgem has no ongoing interest in transmission access reform, and does not see it as relevant to consider how best to adapt transmission to a market environment in which generation is becoming more dispersed, and where a growing diversity of generation is seeking connection in more peripheral parts of the grid.

For Scottish Renewables, the experience of the industry post BETTA has taught us that the reform work Ofgem commenced in BETTA is only half-completed, and that lessons needed to be learnt on how to move on from this point. We would therefore strongly urge you to reassess your position and to include options for reform of transmission access arrangements in your final conclusions on the original transmission price control review.

I trust that you find these comments helpful in setting out the key issues as seen by Scottish Renewables. If you would like clarification on any of the detail in this correspondence please do not hesitate to contact Scottish Renewables.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Maf Smith', with a stylized flourish at the end.

Maf Smith
Chief Executive