



Highlands & Islands ENTERPRISE

Ronke Adenuga
Ofgem
9 Millbank
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28 November 2006

Dear Ronke

Response to Ofgem's open letter on "Innovation Funding Incentive and Registered Power Zone Schemes for Distribution Network Operators"

Thank you for the opportunity to comment on the above consultation. HIE has had direct exposure to the RPZ initiative through the Orkney RPZ where it has demonstrated a very constructive approach to releasing further capacity.

Overall HIE considers that the schemes has been helpful in Orkney and is very supportive of their continued and expanded application. In fact, we would hope to see further RPZ designations across the H&Is region and are aware of particular interest in both the Western Isles and Shetland.

However, while the Orkney experience has been positive, we are aware of considerable frustration elsewhere at the inability to roll out the programme, particularly in relation to community projects on the other island groups which cannot easily connect. We would question therefore the extent to which the RPZ acts as a sufficient incentive to DNOs. The fact that there are only 3 schemes registered calls in to question Ofgem's assertion that 'there has been good progress with both schemes'. By way of example, the experience in both the Western Isles and Shetland is that it has been difficult to engage SSE to take things forward. Both areas would contend that it is not the third parties but the DNOs who are holding up progress. It would seem that the incentives available under the RPZ are simply not enough to engage DNOs to act quickly, much of which is probably compounded by their lack of resource. This could be eased by use of independent consultants if the incentives were sufficient to encourage the uptake of external advice and support. We would therefore support expansion of the RPZ scheme to increase the incentive and encourage much greater uptake.

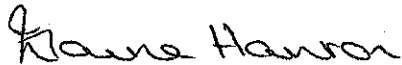
HIE agrees that a collaborative approach between generators and the DNO is essential. Furthermore, there is scope for better three-way communication between the DNO, generators and the providers of innovative solutions. Might there be a role for Ofgem in



maintaining a register of innovative applications, which is open for entries and which would form a point of consultation for the DNO's and generators?

HIE also agrees that there is a grey area between technical and commercial innovation. HIE would support commercial innovation in both schemes, as this is often a major barrier to implementation even where technical solutions exist.

Yours sincerely



Elaine Hanton
Head of Renewables

On behalf of a Highlands & Islands partnership comprising:-
Highlands & Islands Enterprise
Shetland Islands Council
Orkney Islands Council
Comhairle Nan Eilean Siar
Highland Council
Moray Council
Argyll & Bute Council