

Ofgem
9 Millbank
London
SW1P 3GE

Attention: Ronke Adenuga

Your ref

Our ref

BR1013
Date

Nov 29, 2006
Contact/Extension

0141-568-4421

Fax No

0141-568-4499

Dear Ronke,

Open Letter Consultation on the Innovation Funding Initiative and Registered Power Zone Schemes for Distribution Network Operators

I am responding to Ofgem's open letter on behalf of ScottishPower Energy Wholesale: the business within ScottishPower which is responsible for generation of power from both conventional and renewable sources. We strongly support both the RPZ and IFI initiatives as means of increasing R&D in the network sector which then can have a direct beneficial effect on the uptake of new generation.

Considering both in turn:

RPZ

We strongly welcome the implementation of schemes such as the Active Management Project on Orkney. This project has the potential to free up some 15MW or more in a renewables-rich area and, importantly, this can be achieved on relatively short timescales (compared to wider infrastructure upgrades which may not be available until well into the next decade). Active management is therefore likely to be critical to the growth of marine renewables in particular and we strongly urge Ofgem to facilitate the early roll-out of this approach to other peripheral areas with marine renewables potential such as Lewis, Islay, Mull and Kintyre, with priority given to marine renewables projects based on their planning consents status. Without such action it is likely that marine renewables will be unable to progress for a number of years, seriously damaging the industry's prospects in the UK.

Our other comments on the RPZ mechanism are that we would welcome sharing of information earlier on in the process to improve awareness amongst industry and allow earlier uptake of successful ideas. Also we urge that the 2010 deadline for connections is extended as it is already becoming restrictive.

IFI

The IFI scheme is also of interest to generators where it can help improve understanding of technologies which allow greater uptake of generation on the grid. This is particularly the case for variable output plant such as wind power which can benefit from network control and storage technology allowing higher levels of network utilisation overall. We would therefore support an increase in the allowance of 0.5% allowing more such R&D projects to go ahead.

I trust that this is helpful. Please don't hesitate to contact me if you would like to discuss these points further.

Yours sincerely,



Alan A. Mortimer
Head of Renewables Policy
ScottishPower UK plc