

Robert Hull
Director of Transmission
Ofgem
9 Millbank
London
SW1P 3GE

1 Aztec Row, Berners Rd
London, N1 0PW
T 020 7689 1960
F 020 7689 1969

info@bwea.com
www.bwea.com

10th April 2007

Dear Robert,

Re: BWEA Response to OFGEM Consultation on Zonal Losses

Thank you for the opportunity to respond to this Consultation Document.

BWEA was established in 1978 and is the representative body for companies active in the UK wind energy market. Its membership has grown rapidly over recent years and now stands at over 325 companies, representing 98.8% of all grid-connected wind energy now installed.

The UK has a rich variety of renewable energy resource, including 40% Europe's wind resource. Wind energy currently supplies approximately half a million homes in the UK. It is important to support and encourage the growth of the sector and associated benefits.

Our conclusions have been arrived at with the support of the Scottish Renewables, with Jason Ormaston as CEO. Scottish Renewables Grid Working Group, with Jeremy Sainsbury (Natural Power Consultants) and Keith McLean (Scottish & Southern Energy) chairs.

The BWEA supports the conclusions of the Balancing & Settlement Code Panel to reject the four proposed modifications to the BSC. We believe that the current position where transmission loss factors are set at zero and a 'flat rate' is paid across the entire GB network is appropriate and reflects the fact that renewable electricity generators cannot choose the region that they work in. The proposals, that we support the rejection of, are likely to have a negative impact on wind wave and tidal projects in areas where the best resources are such as those in Scotland and Wales. In addition proposals such as these harm investor confidence



which is critical to the future of the industry and sends out the wrong message. The BWEA therefore feel that changes must be considered very carefully, they must be transparent and Ofgem must be confident that increased charges will not have a significant adverse affect on the renewables industry in the UK.

The Ofgem consultation discusses in some detail the Oxera impact assessment of the proposed modifications which concludes in the medium term out to 2015/16 that some projects in Northern Scotland will not go forward because of the modifications but the impact will be marginal when compared to the difficulties of receiving a planning consent or higher Transmission Use of System (TNUoS) charges (never mind that here we have an acknowledgement that high TNUoS charges have a greater than marginal impact on development activity). Oxera also concludes that the uncertainties of looking longer term mean that there is the potential of a significant impact on development activity in Scotland.

Unfortunately, the Oxera assessment does not consider the cumulative impact of the growing number of current and potential regulatory and political hurdles that the industry must consider when considering the risk profile of a project. These include planning and growing determination times, TNUoS and rising charges, the grid queue, changes to the RO, rising community benefit payments, higher business rates and political uncertainty. The BWEA believe that this is a missed opportunity and that conclusions may have been different if a regulatory hurdle, however small, is added to that list. The Oxera report does not consider this and given that there remains considerable uncertainty about the impact of the proposed modifications we believe that Ofgem should agree with the conclusions of the BSC Panel.

We note that you will arrive at a "minded to" position in May and we look forward to hearing the details of the subsequent consultation.

Yours sincerely,

G Cooper

Graeme Cooper

Head of Grid, Health & Safety and Technical Affairs