

Ref: SB190707



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Mr Robert Hull  
Director - Transmission  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Dear Robert

**LEWIS WIND POWER RESPONSE TO 'CONNECTING THE ISLANDS OF SCOTLAND' – OFGEM OPEN LETTER 5 JUNE 2007**

Thank you for the opportunity to comment on the above open letter. Lewis Wind Power is a joint venture between British Energy and Amec. We are developing a large wind farm on the Isle of Lewis, off the north west coast of Scotland. The views in this response are those of Lewis Wind Power specifically. Separate responses may have been made by the joint venture partners individually.

LWP commend Ofgem for making progress on establishing the regulatory framework for island connections. We are pleased the potential of the islands to contribute to UK and European renewable energy targets is recognised. Renewable energy development is very important to the economy of the Western Isles. Timely and economic grid connection to the mainland can open the way for large scale and community schemes alike and lead to a revitalisation of the local economy. It is important that some strategic view is taken of the ultimate capacity requirements of grid links to the islands to enable for example marine renewables to connect in the future.

LWP favour a competitive approach to the provision of island connections which provides greater scope for innovation in for example financial structures, technology, routing choices and speed of delivery. We agree that the regime selected should enable wider involvement from other stakeholders, for example local development agencies and Scottish Executive, if they so wish.

Of the three options presented, LWP favour both options b) and c), the merchant and non-exclusive tendering options, so long as the innovation opportunities and wider involvement are not excluded. We believe these options can deliver timely and economic connections, whilst retaining the flexibility of connection point, technical specification, delivery timescales and role of third parties.

We believe there are advantages to competition and choice if both merchant and non-exclusive options are developed together, leaving it open to users in conjunction with transmission operators (TOs) to decide which of the routes they prefer when the full details of the regimes have been established. Key uncertainties which preclude a choice between the two regimes at this stage include:

- how grid charge capping under s185 of the Energy Act will apply;
- allocation of losses
- and specifically under option c), the non-exclusive approach:
  - the relative weighting Ofgem applies to its duties (see below)
  - the degree of choice and influence a generator will have over the routing, costs, timescales for deliver and design standards of a link;
  - the extent to which third parties such as development agencies and the Scottish Executive wish to get involved for strategic national and regional reasons;
  - the compensation arrangements if TO fails to meet minimum performance standards
  - TNUoS discounts applicable to lower design standard connections
  - the user commitment model applicable

### **Ofgems duties**

In considering connections to the islands we believe Ofgem should weigh carefully the balance between its duties, these being: interests of consumers; environment; sustainable development; security of supply and fuel poverty. The definition of consumer interests should look beyond direct transmission costs and consider other consumer interests, for example avoiding lost opportunity costs under the Renewable Obligation and enabling prompt economic development in remote regions. Not only the cost but the timeliness of delivery of new connections should be considered, so that national and European environmental targets can be met. On environment and security of supply, consideration should be given to the consumer interest value of long subsea links avoiding onshore reinforcements and the diversity that affords the system.

### **Other points**

A reference is made to whether generators should be excluded from becoming TOs. LWP believe generators should have the choice subject to suitable separation and control arrangements being put in place.

I trust you will find these comments helpful. I would be happy to clarify any aspect of our response with you should you wish.

Yours sincerely

### **Simon Baker**

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