Your ref. 153/07

Our ref.

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SLP Energy
Apex Tower
7 High Street
New Malden
Surrey
KT3 4LH
United Kingdom

Tel: +44(0)20 8234 3000
Fax: +44(0)20 8234 3073
E-mail: info@slp-eng.com

Robert Hull
Director of Transmission
Ofgem
9 Millbank
London
SW1P 3GE
Tel: 020 7901 7050
Robert.hull@ofgem.gov.uk

For the Attention of: Robert Hull

Dear Mr Hull,

Zonal Transmission Losses – the Authority's 'minded-to' decision

SLP Energy is a 100% subsidiary of SLP Engineering Ltd. Over the last five years SLP Energy has become recognized as a leading British player in the renewable energy business. Uniquely, SLP Energy has a track record in renewables extending from onshore wind (including having successfully developed, financed and built the UK's largest wind turbine at Ness Point, Lowestoft) to offshore wind and tidal projects, and from project development and consultancy to design and construction. To respond to these growing opportunities, SLP Energy can draw upon over 30 years of experience in offshore oil and gas from design, engineering, and fabrication, to construction, installation and commissioning. SLP Energy is also actively developing new technology to provide cost effective solutions for renewable energy developments.

SLP Energy is active in the renewable energy industry in both England and Scotland, and is a member of both BWEA and Scottish Renewables.

We welcome the opportunity to engage with Ofgem on their consultation on Zonal Transmission Losses. Having reviewed the consultation document, SLP Energy has the following observations to make:

1. SLP Energy recognises and welcomes Ofgem's desire to promote efficiency within the electricity generating industry as a whole, and authority's principle objective to protect the interest of consumers.

2. However, the introduction of a Zonal Transmission Loss Factor for connections to the transmission network does not seem to be compatible with meeting the UK government's targets for renewable energy delivery (namely 10% of UK electricity generation by 2010 and 15% by 2015).

3. As the summary to the consultation document states, the result of the proposal is that charges for generators in northern England and Scotland would go up. In addition, the magnitude of these charges will be a function of the distance of the generation from the demand ('zonal Transmission Loss Factors'). The net effect of this is that the P203 proposal will most adversely affect energy projects in geographically remote locations (e.g. North-West Scotland). These projects will invariably be renewable energy projects.

4. In order to achieve the government's targets, the UK will be highly reliant on the contribution from renewable projects in Scotland. Any proposal which would result in delaying the delivery of these projects will have a direct effect on the UK's ability to meet its targets.

5. Furthermore, the proposal of zonal charging will not only negatively effect projects in remote areas of Scotland that require significant levels of grid extension expenditure to be connected, but will also affect large renewable energy projects targeted at areas of high local demand in northern England or Scotland (e.g. Aberdeen, Edinburgh, Inverness etc.) which will not require major grid extensions, and could significantly contribute to UK renewables targets.

6. In addition it should be noted that projects that are geographically remote from the UK centre of demand but can connect to existing grid infrastructure should not suffer transmission charges so significant as to harm project viability, in comparison to projects in the south of England (such as in the Greater Wash) which, although resulting in less transmission losses will require significant grid re-inforcement to be brought on-line.

7. Justification given for the need for the modifications to the Balancing and Settlement Code are given as "increased concern about the impact of energy generation on the environment and rising energy costs". We see this justification as promoting a spurious argument that the introduction of zonal charging will reduce environmental impact. Although it may well lead to a decrease in transmission losses, it will do so by encouraging large-scale traditional generation at the centres of demand at the expense of renewable energy developments which would have a higher longer-term positive impact on the environment.

8. As also stated, the authority's primary objective is to "protect the interests of consumers", but it should be noted that this should also encompass such issues as environmental impact, renewable energy targets, security of supply and bringing investment and employment to geographical areas in need of economic development.

We would therefore ask that careful consideration is given by Ofgem into the potential long-term negative impact on renewable energy generation of the introduction of zonal transmission charges, for the sake of a short-term improvement in transmission loss efficiency.

Yours sincerely

Peter Fish

Offshore Business Development Manager
SLP Energy