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Dear David and Phil,

Transmission Access Review Interim Report

The Renewable Energy Association is pleased to be invited to comment on the Transmission Access Review interim report. As it is a report rather than a consultation document we will restrict our comments to a few significant matters, reserving our more detailed comments for the final report.

As you are aware the lack of timely availability of transmission capacity is one of the main obstacles, together with planning system delays, to the achievement of the Government's targets for renewable generation. Getting timely access to the system is therefore a key issue with our members.

Our comments relate to the following areas.

- The role of security standards
- The respective roles of BERR, Ofgem and the industry
- Sharing of transmission capacity
- Priority Access for renewable generation

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The role of security standards

Security standards are the foundation upon which the transmission access regime is built. We therefore welcome the current review of Security Standards relating to intermittent generation, and have responded separately to NGT's consultation on the subject.

The operational standards of security determine what plant may run in real time. They are therefore the final filter of possible combinations of generation that may meet customer demand on a minute-by-minute basis. Their continuing role, notwithstanding possible relaxations to an n-1 criteria in some circumstances, is not contentious.

However it is the planning / investment standards that have attracted particular attention, as new generation must be compliant with them as a condition of connection to the system. Our view is that although there may be a role for such standards, failure to have completed the necessary infrastructure should *not* be a reason to prevent new generation from connecting.

Connecting additional generation to the system can never, of its own accord, reduce the level of security provided to customers. It may have secondary effects, such as accelerating the closure of other plant or altering re-dispatch costs but these are secondary effects and are a result of the market arrangements. The fundamental truth is that the primary effect of connecting additional generation is always to increase system security.

Also preventing additional generation from connecting restricts competition in the energy market. Allowing generation to connect as soon as it can physically be linked to the system maximises competition and this should be in the interest of customers. It is acknowledged that possible abuse of the constrained-off payments mechanism (as opposed to using it to be kept neutral) may be an issue but normal competition law may provide an adequate remedy for this. Preventing generators from connecting is detrimental to security, competition and to the achievement of the Government's target for reducing greenhouse gas emissions. Neither is in the interest of electricity consumers nor indeed the population at large.

The roles of BERR, Ofgem and the Industry

Whilst there is considerable merit in the joint Ofgem / BERR review, with participation by the industry, we feel it is worth reflecting on the ultimate roles of each.

In our view at the end of the day it is the role of BERR to set out clearly the main policy decisions, set objectives for the other parties, and make the contentious decisions. Thus, for example, we would expect clarity on the relative priorities and ranking of the environment, security of supply and the cost of providing electricity. It is also Government's role to make the difficult decisions regarding the priority access debate. We expand on this later.

At a higher level, all parties would benefit from clarity on the following question;

> Is the Government's objective to achieve targets (e.g. for renewables generation) at minimum cost, or is the cost of paramount importance and therefore the key factor in determining the degree to which targets are met?

Whilst these are recognised to be difficult decisions, absolute clarity from Government would help both Ofgem and Industry focus on delivering Government goals.

We believe the role of Ofgem should be to regulate the industry, particularly those in a monopoly role within it, so as to fulfil the aims and priorities laid down by Government. Our view is that Ofgem's principal statutory objective – to protect consumer interests, wherever appropriate by promoting competition – is both overly restrictive and inappropriately focused in the context of the requirement to move towards a more sustainable energy system. Some recasting of that objective and of the duties that support it, will be needed to facilitate the achievement of the new carbon reduction and security of supply objectives of UK energy policy.

Ofgem will also continue to have a role in the industry governance process in deciding on changes to the various codes that govern the industry, particularly where there is disagreement between industry parties. We believe that it is up to the industry itself to have the primary role in the governance of the detailed rules under which it operates. Parties whose livelihood is made by generating, transmitting, distributing and supplying electricity are best able to understand the detail of these codes and the implications of changing them. It is recognised that many proposals will have different effects for different parties and that agreement amongst industry parties may not therefore be reached. It is in these cases that Ofgem's role is most important in determining whether a potential change better facilitates the objectives for the industry set out by the Government.

Sharing Transmission Capacity

We agree with the view set out in the report that sharing of transmission capacity will become increasingly important as more intermittent generation is connected to the system. There are two aspects of this that we would like to comment on; different types of sharing and the impact on constraint costs.

The sharing of anything works best when the parties sharing it do not want to use it at the same time. It is for this reason that we suggested that a scenario-based standard (for example low wind conditions / high wind conditions) should be investigated in our response to NGC's consultation on security standards.

Clearly there is no uniform degree of sharing that is optimum throughout the transmission system. A part that is utilised by generation that is likely to want access at the same time is less amenable to a high degree of sharing than a part that is utilised by types of generation likely to require access at different times. For example capacity on a system populated by a combination of wind generators and mid / low merit conventional generation could be shared to a greater extent than if populated by wind generation alone.

There has been concern over increased constraint costs, if sharing of the transmission system is increased. In our view such fears are exaggerated (provided potentially abusive behaviour is catered for by existing competition law).

Provided the energy market rules are robust, the amount of generation wanting access at any time should be approximately equal to the demand on the system. Connecting additional generation to the system should not increase constraint costs significantly, provided that within any particular geographical area there is a combination of existing generation that will cease to be required to meet customer demand during those time periods when the new generation is running.

Priority access for renewable generation

There is reference to this in current EU directives as well as a stronger reference in the proposed new Renewable Energy Directive. It is important for Government to be clear exactly what the directives requirements entail, and take them into account in the Transmission Access Review.

In our view the requirements in the new directive are as follows;

1. renewable generation should have priority dispatch. This is largely irrelevant under the self-despatch system that exists in Great Britain and this is therefore not a contentious issue,

2. renewable generation should have priority over other new generation to be connected to the network, and

3. renewable generation should not be prevented from connection to the system purely in order to permit fossil fired generation to continue to generate without being constrained.

If the Government does not agree with these concrete features of priority access, it is effectively declaring that it would rather the demand for electricity be met by fossil fired generation than new renewable generation.

We do not believe that the Government does want that and it would not be consistent with its targets for new renewable generation. It is time to grasp the nettle and use the Transmission Access Review to remove one of the major obstacles to meeting the Government's renewables targets and moving towards a more sustainable energy system.

We hope you find these comments useful.

Yours sincerely

Gaynor Hartnell

Deputy Director

REA