ScottishPower

energy wholesale

Paul Brunston
OGFEM
9 Millbank
London
SW1P 3GE

Your ref

Our ref

Date
01 May 2008

Contact/Extension
0044 141 568 5009

Dear Paul

Response to Ofgem Open Letter Consultation on National Grid Proposal to commence generating electricity at Gas Distribution pressure reduction sites

Background and Introduction

ScottishPower is part of the enlarged IBERDROLA Group. The IBERDROLA Group operates in 30 countries worldwide and is the world's leading producer of electricity from wind energy. The group has a renewables portfolio totalling 6.8GW of installed capacity, with a further 40GW of additional new wind capacity in the pipeline, of which 15% is planned for the UK.

IBERDROLA's commitment to renewable generation has been heightened further through the formation of a new worldwide renewables business, *IBERDROLA Renovables*, to which ScottishPower's renewables assets have been transferred. The UK arm of the new business, ScottishPower Renewable Energy Ltd (SPREL), will take forward the development of renewable capacity across the UK.

ScottishPower Response

We have read with interest the proposal to conduct trials to design, install and maintain environmentally sustainable electricity generation plant at NGC pressure reduction stations, which will permit the generation of electricity at such plants. This looks to be a promising approach for reducing carbon emissions, and as such should be pursued.

We do however, have some reservations as to 1) whether the electricity generated from geo-pressure released in the expansion turbines should be classed as renewable electricity and 2) whether such electricity should be eligible for support under the Renewables Obligation (RO). Our comments relating to each of these points are provided below;

1) Renewable Electricity Eligibility

It is unclear from the information provided in the Open Letter, whether the electricity generated from geo-pressure released in the expansion turbines is a result of naturally existing pressure, or a by-product of physical intervention. If it is the latter, then such energy captured from geo-pressure may be classed as low carbon energy and supported through appropriate climate change regulatory mechanisms (but not supported under the RO). It would be wholly inappropriate to award any form of renewable support to energy captured from geo-pressure where that geo-pressure had been created as a result of a process that involved the consumption of energy in some form.

2) Eligibility for support under the Renewables Obligation (RO)

If the energy released from geo-pressure was naturally occurring, then there may be a case for considering the electricity generated from this to be renewable. However, Ofgem should ensure that the integrity of the RO is maintained and that these geo-pressure projects do not inadvertently receive RO support. Ofgem must therefore be completely satisfied that the electricity generated is from naturally occurring geo-pressure, free from human intervention.

If ROCs were awarded to non-naturally occurring geo-pressure, it would be akin to awarding ROCs to pumped storage hydro generation. In pumped storage hydro facilities, energy is consumed in order to run pumps that push the water uphill to a reservoir, for the purpose of releasing that water at a future date where it will fall back down and release the energy to generate electricity. The electricity produced at a pumped storage facility is from a sustainable source (water) but is not supported under the RO as the energy released was not naturally occurring.

The generation of electricity at gas distribution pressure reduction sites, should be encouraged and any means of improving the efficiency of the gas system should be targeted and supported through the appropriate climate change regulatory mechanisms but it is not obvious to us that energy efficiency measures should be supported under the RO, regardless of whether the geo-pressure is naturally occurring or not. Ofgem needs to be clear whether the driver here is to ensure all energy efficiency measures available are undertaken on the gas network and whether it is therefore appropriate to use the RO as a means of delivering these energy efficiencies because some of the geo-pressure may be defined as renewable.

We would be happy to discuss any of the comments raised in this response, and I can be contacted at the details above should you wish to take the opportunity to do so.

Yours sincerely

Denise Smillie
Renewables Markets Manager.