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Mr Anthony Munghall
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24th November 2008

Dear Anthony

**Charging Arrangements for Transmission Infrastructure Assets Local to
Generation Connections
Re GB ECM-11 Consultation Document**

Preamble

West Coast Energy Ltd welcomes the opportunity to comment on the impact assessment on charging arrangements for generator local assets. West Coast Energy have acted as consultants to a number of major windfarm projects throughout Great Britain and have obtained consent for over 500MW of projects with a further 1000MW either going through planning or with a planning application being prepared. We have also been active participants in various electricity industry fora including the Transmission Arrangements for Distributed Generation (TADG), Transmission Access Standing Group (TASG) and in the Active Networks project team of the Distribution Working Group (DWG).

We recognise that this impact assessment has two major drivers for the modifications proposed, namely Security and Quality of Supply (SQSS) connection design variations and the Transmission Access Review; our response majors on the SQSS connection design variations. The latter follows on from a previous consultation in 2006 which in that case, although it proposed design variations rebates for not fully secure connections, was vetoed by OFGEM on the grounds that while it agreed with the idea that that consultation put forward of giving generators a reduction in Transmission Network Use of System (TNUOS) to generators with a single circuit connection rather than the more conventional double circuit secure connection it thought the reduction offered was too low in that ' the Authority was concerned that the original proposals did not sufficiently reflect the capital costs saved and would consequently not provide the correct signals to the generators' . This in turn was followed by another consultation GB-ECM 09 for charging arrangements associated with SQSS design variations based on customer requests to which West Coast Energy Ltd responded. In a letter to OFGEM in December 2007 National Grid declared it was not minded to submit any of the proposals outlined in



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its consultation and instead to initiate work on a final enduring solution. This was accepted by OFGEM but in the same letter OFGEM expressed concern about the limited progress being made on this issue since it was first raised by them in December 2005. Consultation ECM11 was raised by National Grid on 1st August 2008 and a response was required by 29th August.

West Coast Energy Comments

- 1) Not for the first time we are commenting on charging arrangements for local generator assets. We agree with the views of OFGEM expressed in December 2007 about the limited progress being made on this issue since first being raised in December 2005. Many projects are now being built based on single circuit unsecure connections giving rise to significant reductions in capital expenditure for National Grid and Transmission Owners but without any concomitant reduction in use of system charges compared with a secure connection. Not only that but for many projects we have been refused the opportunity to revert to a secure connection resulting a lose-lose situation.
- 2) We note with great concern that under the proposals outlined in the Consultation TNUOS charges in the North of Scotland will rise and even after the application of an unsecure connection discount the TNUOS charges proposed will still be greater than those being currently envisaged which is counter intuitive if not downright perverse.
- 3) We are disturbed by the introduction of two classes of substations on the GB transmission system; MITS and local generator substations with a definition of the former meaning that there may well be discriminatory treatment between power stations connected to the MITS and those connected to local generator substations. This infers that the stronger your connection the lower your charges; which again seems perverse.
The MITS was largely constructed to connect large, high load factor conventional generators and the low load factor renewable generators will end up paying higher use of system charges which is unreasonable.
- 4) As acknowledged in the Impact Assessment, we are also concerned about the discrimination shown in the NGC proposals between generator and demand connections.
- 5) OFGEM has in the past concluded that appropriate high level principles for charging were:-
 - Cost Reflectivity
 - Predictability
 - Simplicity
 - Transparency
 - Facilitation of Competition

Since the outcome of the National Grid consultation results in individual, four part (local circuit, wider circuit, local substation and residual) TNUOS charge

components for each generator, the results are neither simple, overly transparent nor predictable.

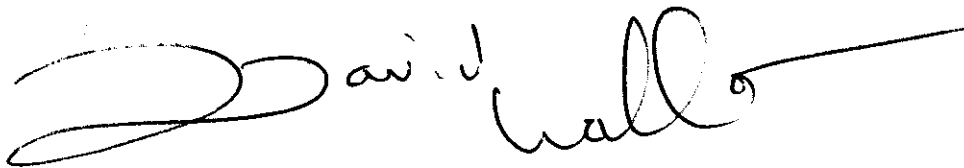
- 6) The statement is made in the Impact Assessment (page 5) that 'It was considered that this might send inappropriate signals to generators when they are considering the location and design of their connection to the transmission network'; in contrast we are not aware of any situation where the developers of a wind energy related renewable project have made choices about where to site their project to take advantage of lower electrical charges. The siting of renewable energy projects and particularly wind projects is dictated primarily by the availability of the land and wind resource and being in the vicinity of any suitable electrical infrastructure is a bonus. Developers very rarely have a choice as to which part of the infrastructure to use, as by and large they are dealing with remote areas where electrical infrastructure is not common. Basically talking about the cost reflective messages given by locational pricing is somewhat of a red herring as projects cannot respond to them and locational charging can act to obstruct the connection of renewable projects.

In summary we are disappointed with the consultation and consequential impact assessment because they fail to address the issue of the rebates which should accrue to projects with non-secure connections and instead acts in a perverse way to increase costs particularly for projects in the North of Scotland. We believe the best way forward is for each individual project (and we are not talking of large numbers) to be given a discount either up front (say as a rebate), over time (as is done for connection charges) or as a separate discount to the original TNUOS charges which reflect the capital and operational savings to National Grid and Transmission Owners from generators having less secure connections.

I hope you find my comments useful but if you wish to discuss them further please do not hesitate to contact me.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Walker', with a long horizontal flourish extending to the right.

(Dr) David Walker
Head of Grid & Regulatory Affairs
West Coast Energy Ltd