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Dear Lesley,

**Consultation response
SQSS derogation guidance
Derogation requests to facilitate earlier connection of generation**

Many thanks for the opportunity to respond to your open letter on derogation requests. Given the exceptional volume of regulatory consultations at this time we have been unable to respond within your requested timescale and appreciate your willingness to accept these comments.

BWEA was established in 1978 and is the representative body for companies active in the UK wind, wave and tidal stream energy markets. Its membership has grown rapidly over recent years and now stands at 453 companies, representing the vast majority of connected wind capacity owners, and the companies installing and servicing these generators. The UK has a rich variety of renewable energy resources, and the largest wind resource in Europe. Wind energy currently supplies approximately 1.5 million homes in the UK. It is important to support and encourage the growth of the sector and associated benefits.

In principle BWEA supports the move to use derogation requests in facilitating earlier connection. We are, however, very concerned about several aspects of the proposals:

- The implied interim nature of the connections granted, which could be superseded by TAR proposals;
- The lack of detail on the robustness of the derogation status and under what circumstances it could be withdrawn or altered, including as a result of the actions of third parties;
- The lack of clarity over costs and benefits to be assessed, and which will be material to Ofgem's decision;
- Whether embedded generators will be able to benefit from derogations on the transmission system.

We also note that Ofgem no longer appears to be labelling the proposals as “Connect and Manage”, which is accurate, as they bear very little resemblance to ‘pure’ Connect and Manage proposals under CAPs 148 and 164.

An SQSS derogation could be a very useful route to market in allowing connection in advance of, but leading up to, system compliance (also bearing in mind that the definition of system compliance is presently under review via the Fundamental SQSS Review). It is not a viable route to market for a new generator if the same access rights can then be removed through subsequent changes to the regulatory regime – specifically, the proposals under the Transmission Access Review to auction all existing access rights.

We would also request absolute clarity on the conditions under which a derogation would time-out, be revoked or not renewed. We are concerned, for instance, that Ofgem is rather vague about any assessment against competition objectives.

We cannot stress this point enough. The proposals will not advance connections for new projects if the access rights are of insufficient length and certainty.

Whilst we would not wish the guidance to be too prescriptive, the industry does need to understand and provide constructive input into Ofgem’s decision making processes. Our membership would welcome the opportunity to develop, with Ofgem, a relevant set of decision making criteria. However, we do not wish to see our membership undertake costly impact assessments only to have them rebuffed on the basis of pre-formed views which only come to light at the decision stage.

Ofgem says that “in reaching its decision on a derogation request, the Authority will take into account Ofgem’s obligations in respect of sustainable development and where appropriate will consider the potential impact of a derogation on carbon emissions.”

This reads as if Ofgem will be more encompassing in its decisions on derogations than the code panels might be when looking narrowly at economic costs and benefits. This is a potential inconsistency which needs to be clarified.

We would question why Ofgem’s guidance seems to limit sustainable development considerations to the economic costs and benefits, including carbon. This effectively means that Ofgem is interpreting its sustainable development remit as being exactly the same as its customer remit, which in turn in this context Ofgem chooses to fulfil by assessing the economic costs – internal, or external (only where available) – of a proposed derogation.

BWEA does not believe that sustainable development objectives are fulfilled by a narrow focus on the purely quantifiable economic costs and benefits of a proposal and we would ask that Ofgem gives further meaningful consideration to this point. We would be happy to assist. For instance, Ofgem could choose to interpret its sustainable development remit as helping to meet government renewable energy targets.

On the quantifiable economic costs and benefits, we are concerned that the appropriate treatment of carbon costs and its role in decision making is far from clear. Some statements by the CUSC Environmental Standing Group on the generality of carbon

benefits – implying they should not be counted in a project-specific sense – seem to contradict Ofgem’s approach.

For the avoidance of doubt, BWEA wholly endorses the inclusion of carbon benefits in cost benefit assessments, and considers this is a necessary and appropriate factor to consider when making a regulatory decision on raising the limit at which projects need to wait for system upgrades. This is not a market-based decision, it is a regulatory one.

We would also make reference to the comments we have made on Ofgem’s CAP 148 impact assessment – including the potential benefits of increasing TNUoS revenues and/or increasing the charging base when connecting new plant ahead of system upgrades.

Finally, in this policy area, we do not think that quantitative assessments are necessarily any more authoritative than qualitative arguments – there are many uncertainties underlying the inputs into a cost benefit analysis. To that extent, we consider it appropriate that derogation requests should include scenarios, but would welcome a trade off between detail required and the size/materiality of the request.

I hope you find these comments useful. If you have any queries regarding this consultation response, I am ready to answer them.

Yours sincerely,

A handwritten signature in black ink, consisting of several large, overlapping loops and a long horizontal stroke extending to the right.

Dr Gordon Edge
Director of Economics & Markets
BWEA