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OFGEM SPEEDS UP CONNECTIONS FOR 450 MEGAWATTS OF LOW-CARBON GENERATION

- **Ofgem relaxes industry rules to allow much faster connection of wind and low-carbon generators**
- **Ofgem authorises £12.5 million investment by transmission companies for preparatory work which will further speed up connections.**

Energy regulator Ofgem has said that it will allow a temporary relaxation from the rules governing the electricity networks to speed up connections for low-carbon generators.

The temporary relaxation is to the rules for connection to and use of the high-voltage electricity networks. It means any generator wanting to seek an earlier connection date can now do so by approaching National Grid.

This initially means that 450 megawatts (MW) of small and large wind farms can get connected in Scotland as soon as they are ready. Other generators that come forward (including other renewable generators and thermal generators) will also benefit from the same approach.

The approach adopted by Ofgem is an interim solution to speed up connections while more enduring reforms are introduced. It is expected that some of the generators could start to connect this year.

Ofgem's Managing Director, Networks, Steve Smith, said: "A large queue of renewable projects is awaiting connection to Britain's networks and being flexible in how we apply the industry rules is an innovative way of speeding up connections in the short-term. This decision means low-carbon projects (whether seeking connection to the transmission or distribution systems) will no longer be delayed by the need to invest in the grid. The new approach will also help other generators in comparable circumstances."

"The long-term solution is to reform access arrangements and increase network capacity. Ofgem has allowed major increases in investment to achieve this (1). Delays in planning decisions mean the pace of change here has been too slow, however we anticipate that the reforms in last year's Planning Act will make a difference."

Mike O'Brien, Minister at Department of Energy and Climate Change, said: "Sorting out the queue for connection to the grid is vital to getting the massive expansion of renewables that we need in the UK. We want to make it as seamless as possible for renewable and other generators to come online as soon as they need to. This decision means that any project wanting to seek an earlier connection to the grid can now request this from National Grid. More home grown renewable generation means more secure energy supplies. Renewables are also instrumental in cutting carbon emissions and dealing with climate change."

The revised approach follows on the heels of Ofgem's approval last month of funding of £12.5 million so that two of the three electricity transmission companies – National Grid Electricity Transmission and Scottish Power Transmission Ltd (2) - can start feasibility studies and preparatory work on the investment needed to support new renewable generation connections

to meet the 2020 targets. Allowing this additional funding now will also speed up connections particularly where the companies need to make large investments in the networks to connect them. This funding is in addition to the substantial investment in transmission that Ofgem has already authorised.

Ofgem is also taking forward work this year on introducing new incentives for transmission companies meaning they could earn a higher return for taking on some of the risk of building new transmission capacity in anticipation of new generation projects seeking connections.

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Notes to Editors:

(1) Increasing investment in the electricity networks:

Ofgem authorised £3.8 billion investment in Britain's high-voltage networks in the 2007-2012 energy transmission price controls, which will help pay for new connections and network reinforcement. The price control gives transmission companies flexibility so they can make additional investments if there are further request from generators for connections.

As early as 2004 Ofgem allowed extra investment of £560 million in Scotland's networks to allow for quicker connections. This package included funding for upgrading the Beaulieu-Denny transmission line, which is crucial for ensuring Scotland can reach its renewable energy potential. Work has yet to start on the upgrade as a final planning decision on whether it can go ahead is still to be made.

(2) Scottish Hydro Electric Transmission Ltd did not identify a need for any pre-construction funding

Which industry rules are being temporarily relaxed?

National Grid identified that about 450 megawatts of low-carbon generation capacity in Scotland is ready and willing to bring forward their connection dates. They can be accommodated by the completion of their local connection works under an approach known as 'interim connect and manage'. However, wider transmission capacity (for example across the Scotland-England network boundary) may still lag behind what would be required by the GB Security and Quality of Supply Standards (GB SQSS). The GB transmission licensees (National Grid Electricity Transmission, Scottish Power Transmission Ltd, Scottish Hydro Electric Transmission Limited) in the planning and operation of the GB Transmission System, are required by their licence to comply with the criteria set out in the GBSQSS, unless relieved of this obligation by the Authority (known as being granted a derogation). Our decision to issue a derogation in relation to generation connection to and use of transmission system will mean that more new generators could get connected sooner but they may have to restrict their output from time to time, so that the system remains secure in operation. Any generator that is asked to reduce output receives compensation payments from National Grid. Relaxing the GBSQSS could mean that these constraint payments, which are passed on to all electricity customers, increase and Ofgem has asked National Grid to consider how it will address this. The relaxation will not impact on security of supply.

Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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