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Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

Dear Dena

Ofgem, GB ECM 18 Locational BSUoS Impact Assessment

Highlands and Islands Enterprise (HIE) welcomes the opportunity to respond to the impact assessment: GBECM-18, Locational BSUoS. Transmission access and charging is considered highly important by HIE for the economic development of the Highlands and Islands of Scotland. HIE, along with its local partners, the democratically elected local authorities covering the north of Scotland (Shetland Islands Council, Orkney Islands Council, Comhairle nan Eilean Siar, Highland Council, Argyll & Bute Council and Moray Council) has responded to a number of consultations on issues affecting development, access and management of grid infrastructure. We are working closely with Scottish Government in relation to a wide range of regulatory issues and are supporting its efforts to challenge barriers currently blocking renewables development across Scotland.

In our response to National Grid, Charging Consultation Document GB ECM-18, Locational BSUoS Charging Methodology in April 2009, we noted that rising constraint costs are a relatively short-term issue. When key constraint points like the Cheviot boundary are adequately reinforced, constraint costs should fall away to previous levels. Constraint costs should therefore be viewed as natural and temporary product of the transition to a higher penetration of renewables, not an enduring position.

In January this year DECC announced its 'minded to' position on the introduction of Connect and Manage with Socialised Costs. We have to question why Ofgem is continuing to pursue locational BSUoS in parallel and apparently in spite of DECC's position? This activity can only succeed in increased uncertainty, delayed/unfavourable investment decisions and a slow down in momentum of renewables projects. This could make energy from renewables more expensive than it needs to be and could negatively impact consumer bills.

Locational BSUoS will increase costs, and create issues of charge volatility and unpredictability for those exposed to it. This is essentially every Scottish Generator with exposure exacerbated in the Highlands and Islands by virtue of its position behind several constraint boundaries. In the proposal Ofgem argues that all users should be treated the same. However, HIE supports the comment made in the Scottish Renewables Forum response that the totality of Ofgem's arguments are "that all generators behind a derogated boundary should see extra costs for cost-reflectivity reasons despite the practical and economic arguments against this; but that users the other side of the boundary should not see extra costs for cost-reflectivity reasons because of the practical and economic arguments for this."

We look forward to viewing any further outcomes from this impact assessment in due course but hope that among other things, the June introduction of Connect and Manage with Socialised Costs, which is recognised as the option most likely to help the UK achieve its renewable energy targets, will dissuade Ofgem from progressing plans to introduce Locational BSUoS.

Yours Sincerely

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