

Nuon Renewables

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Dear Nicholas

Consultation on WPD modification proposal 016 to introduce changes to its EHV charging methodology

Nuon Renewables, as an owner and operator of EHV connected wind power generation sites connected to the WPD South Wales distribution network, submits its comments on the changes that WPD propose to their EHV methodology to come into effect from 1st April 2010.

Background to Nuon Renewables Interest in this modification Proposal

These comments are made with particular reference to our operational Parc Cynog and Pendine Wind Farms. These sites are connected into the WPD network by a T-connection to an existing 33kV overhead line running from Pendine to Carmarthen.

Parc Cynog Wind Farm was connected in 2001. This involved the installation of approximately 3.5km of underground cable, a 33kV metering ACB and associated equipment. The construction of this connection was split between non-contestable works installed by WPD and contestable works installed by the wind farm construction main contractor. Parc Cynog wind farm has subsequently been paying annual Operations and Maintenance charges for this connection.

Pendine Wind Farm was connected in 2009. This involved the installation of approximately 30m of 33kV underground cable into the existing Parc Cynog metering circuit breaker, and the installation of a new Pendine Wind farm metering circuit breaker.

The combined cost for connection of the Parc Cynog and Pendine wind farms, when inflated to reflect 2010 prices, is in the region of £500,000.

Under the proposals made by WPD and based on the Notice of Charges published by WPD for April 2010, Parc Cynog Wind Farm will be subject to Distribution Use of System Charges (DUoS) of £87,204 and Pendine Wind Farm of £112,351.

From April 2010 as a result of the proposed changes Pendine and Parc Cynog Wind Farms will be liable for a combined charge of £199,555, equivalent to 40% of the combined total cost of the connection for these two wind farms, to be payable on an annual basis. On that basis, WPD would effectively be able to replace the connection equipment between the site and the pre-existing overhead line every 2.5 years.

We are aware that the DUoS charges are meant to cover the long run costs of infrastructure assets. However we deliberately sized our projects so that no deeper reinforcement would be needed and we are unaware of any plans by WPD to reinforce our part of the network that are being precipitated in whole or part by our presence. It is therefore not cost reflective to charge us as if we were imposing a cost on WPD. If in the future other generators wish to locate in the same area and reinforcement were needed the situation would be different.

We should also emphasise that as a wind farm we only export at maximum capacity for a proportion of the year – on average our output is only around 30% of the maximum capacity. It is therefore not cost reflective to charge us for the maximum output. If we did get into a situation where there was other generation in the area and WPD wished to reinforce we would be open to discussing the possibility of an intertripping scheme if this avoided the need to reinforce.

In summary the proposed charges are not cost reflective because they do not relate to any actual need for WPD to spend on reinforcement and if in the future there were such a potential need we would be open to discuss special arrangements to avoid the reinforcement being undertaken.

Response to Consultation Questions

In our view the WPD proposals cannot be more price reflective than WPD's current methodology. Without seeing exactly how the charging methodology is implemented by WPD it is difficult to make detailed comment but it is clear that the impact on Parc Cynog and Pendine Wind Farms is to introduce excessively high DUoS charges that cannot be reflective of the true costs of the operation, maintenance, and renewal of this part of the network.

The LRIC methodology effectively penalises users on the network who are seeking to make efficient use of existing or new network assets. By installing generating capacity sized to make full use of available capacity on the network or by installing an interconnection sized to match new generating capacity, such projects are penalised by having to pay DUoS charges that do not reflect the actual costs to the distribution network operator. This inadequacy of the charging methodology is likely to have a particularly negative and prejudicial impact on renewable energy generation projects where long interconnects are often required and which are typically for the sole use of that generator. In our view this will restrict, distort and prevent competition in the connection of and distribution of renewable energy into the network.

As outlined above, the effect of these proposals will be to introduce charges on these two projects in the region of £192,617 in excess of those levied on the same projects in 2009. This will have a very significant effect on the future viability of these projects and on our ability to deliver future renewable energy generation projects, if they are to be subject to similar non cost reflective charges.

Yours sincerely



Chris Morris

Head of Commercial and Contracting