



18 January 2010

Dena Barasi
Senior Manager, Transmission Policy and Charging
Office of Gas and Electricity Markets
9 Millbank
London
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Dear Dena,

GBECM-18 Impact Assessment

Wind Energy is pleased to submit this response to the above consultation on the impact assessment for locational BSUoS. We are writing on behalf of six group companies with wind power projects under development across Scotland with a combined capacity of some 600MW. The principal shareholder in the Wind Energy companies is AES Corp, one of the world's leading independent power producers.

We are aware that the discussions giving rise to the proposal for locational BSUoS began more than a year ago. However much has happened in the interim including the decision by the Secretary of State for Energy and Climate Change to use his powers to address grid access. As you are aware, DECC has now brought out a consultation on their preferred choice which contemplates socialization of costs; there is no reason at this point to believe this will not be implemented in due course. Bearing that in mind we consider that it is unreasonable for further time to be spent on locational BSUoS as the issues are complex and anything implemented would be superseded almost immediately. We therefore strongly suggest that Ofgem ceases further work on locational BSUoS for the time being.

Subject to our overriding comment above, we also respond to the individual consultation questions as follows:

CHAPTER: Three

Question 1: Do respondents have any comments on NGET's analysis?

This is one of an exceptionally large number of consultations which have been put before industry in the past twelve months. Even the leading utilities are challenged to respond to all and for smaller development groups such as ours, to whom these proposals could make a substantial difference, it is an impossible task. We must prioritise our work and to ask us to review in detail and respond on a report of the complexity we have here, against a background where any proposals which might be implemented will be in existence for weeks only, is unreasonable. For this reason we once again press Ofgem not to move forward with such a radical proposal as the introduction of locational BSUoS when there is no reason to believe it will do other than cause confusion in the marketplace in the short time for which it may exist and induce negative reactions in investors.



Question 2: Do respondents wish to present any additional quantitative analysis that they consider to be relevant to assessing the proposal?

No – for the reasons set out below we are unwilling to invest the time and effort necessary to produce such additional analysis. This is not to say that there may not be such analysis which could be produced however.

Question 3: Do respondents consider that there are any aspects of the proposal that have not been fully assessed?

We have not undertaken sufficient analysis to determine this.

Question 4: Do respondents consider that the key features of the proposal strike an appropriate balance between cost reflectivity, transparency, complexity and stability?

No we do not. Complexity and transparency tend to be incompatible. This is a complex and opaque proposal which would destabilise the market if introduced in our view.

Question 5: Do respondents consider that this modification promotes more effective competition? Conversely do respondents wish to provide further detail of any discrimination concerns?

No, we feel this modification would promote less effective competition. Areas where generators are focused on new facilities will become constrained and this proposal would intentionally seek to prevent this, thus driving generators either not to build at all or to seek areas where the long term factors are less favourable, purely in order to mitigate excessive short terms costs which would result from this proposal.

Question 6: Do respondents consider that the proposal complements the changing nature of the transmission network and assists the development of an economic and efficient transmission system?

We feel that this is the wrong question. The goal should be the development of an economic and efficient mix of generation in which transmission plays its part. If this proposal were to be implemented, we consider that it would result in a sub-optimal generation profile for the UK.

Question 7: Do respondents consider that the different methodologies used in the proposal are appropriate?

We have not engaged in the depth of analysis necessary to answer this question.

CHAPTER: Four

Question 1: Do respondents wish to present any additional quantitative or qualitative analysis that they consider would be relevant to assessing this proposal?

No but as in our response to question 2 in Chapter 3, we would observe that this is because we are not prepared to put the required time and effort into the analysis of the Impact Assessment here in light of the short term duration of any scheme which might be implemented.



Question 2: Do respondents consider that there are any aspects of the proposal that have not been fully assessed against the factors set out in this proposal?

Once again we are not in a position to respond to this question.

Question 3: Do respondents consider that there is discrimination between transmission system users as a result of this proposal?

Undoubtedly there would be discrimination between system users as some would pay appreciably more than others. Your question should presumably be asking if we feel this would be due or undue discrimination. We feel this would be undue discrimination if introduced and furthermore would be in breach of the EU Renewables Directive.

Question 4: We welcome further views on whether the proposal could have an adverse impact on security of supply.

Yes, to the extent that this proposal would delay implementation of new generation, much of which is seeking to connect in areas which will then become constrained, it could have an adverse impact on security of supply.

Question 5: We welcome further view on whether the proposal could have an adverse impact on sustainability in particular the transition to a low carbon economy.

Most definitely this proposal would have an adverse impact on the transition to a low carbon economy if the concept was introduced and then left in place for any length of time. The only potential mitigant is DECC's stated intention to move to a system of socialization, to be implemented later this year, against which any move to introduce this as an interim solution makes no sense.

Question 6: Do respondents wish to present any further analysis on the wider implications of the benefit that may ultimately be expected to be passed through to consumers?

No we do not.

Question 7: Do respondents have any views on the interaction of NGET's charging proposal with TAR as set out in this chapter?

The changes proposed to be implemented by the Secretary of State for Energy and Climate Change will supersede the TAR process which in the views of Lord Mogg, set out in his letter to the Secretary of State last year, had failed to resolve the grid access issue. As we have repeatedly stated above, there is clear interaction to the extent that the proposals suggested in this ECM modification are totally contra to the direction now being taken by Government in the regulation of the electricity industry, with specific reference to charges for grid access.



We trust that these views will prove useful to your further consideration of this concept and more importantly, the underlying issues. If you wish to discuss any points we would be pleased to meet to do so.

Yours sincerely

Michael Davies
Managing Director