

**John Muir Trust**  
response to  
**Ofgem Project Discovery -  
Options for delivering secure and sustainable  
energy**

March 2010



### **Background**

The John Muir Trust is an environmental organisation which works to protect wild land and increase awareness of the value of wild places. The Trust has assessed, with expert advisors, strategic electricity transmission projects – looking at issues of need, capacity, security of supply and intermittency. The Trust also assesses the policy drivers affecting the changing nature of our electricity supply. This is the knowledge base from which we comment and we do so only regarding electricity. The Trust does not have expertise regarding, or comment on, gas supplies.

### **Summary**

The Trust commends Ofgem on undertaking Project Discovery, believing that scenario planning and rigorous examination of different options have been urgently required for some time. The Trust considers that the scenarios which have been used may be rather optimistic, considering security of supply.

The Trust recommends that **Option D** is the system model which the government should adopt. The Trust has seen and endorses the response submitted to Ofgem by Sir Donald Miller and Colin Gibson.

### **Responses to Consultation questions**

**Question 1:** Do you agree with our assessment of the current arrangements?

The John Muir Trust agrees that the current arrangements cannot be continued as they are, if security of supply and consumer interests are to be protected.

Ofgem refers to its increased duty of working for sustainable development and environmental objectives. Ofgem has to recognise this includes local and regional environmental protection, as well as global environmental objectives. In its decision-making, Ofgem must consider the effects on local environment, not just consider security of supply and lowest cost to consumer, if it is to contribute to sustainable development.

The Trust does not agree with the statement in 5.61. “*Arguably the current arrangements, which rely on competition in the wholesale markets to deliver energy supplies and future investment, are effective in promoting innovation.*” It is very difficult to see such innovation – indeed, it can be argued that the ROCs system has led to an over-dominance by outdated, onshore wind technology over other, newer renewables. Therefore, the Trust does not believe there is much to be lost in change, as suggested in

the continued text - “*Any reform that risks undermining this competitive effect could be detrimental in this respect.*”

**Question 2:** Are there other aspects of the current arrangements which could have a negative impact on secure and sustainable energy supplies, or costs to customers?

The consultation document does not properly consider the detrimental effect of the current arrangements for preferential use of intermittent wind generation over conventional generation to the extent of requiring excessive capacity for transmission (rather than constraining off). The costs of this are going to increase consumer costs unnecessarily and impact on the environment. Before the currently-planned level of transmission installation (as envisaged in recent Electricity Network Transmission Group documents) is put in place, there should be a rigorous analysis of the expected reduction of carbon emissions which will ensue, compared to a lower level of transmission upgrades with some constraining off.

**Question 3:** Do you agree that the five issues we have highlighted are the most important?

The Trust agrees that these five issues are critical. However, regarding issue (1) – investment - further analysis is required on what infrastructure is actually needed before moving on to the assessment of how to get that investment in a timely manner. See answer to question 2 re transmission.

The Trust broadly agrees with the analysis on issues 2 -5.

With regard to issue 5, the Trust recommends that Ofgem must consider a broader remit than that of providing energy supplies. Government and Ofgem must consider how Ofgem’s role works now and how it should work alongside government agencies to reduce energy consumption, including conservation measures. This will also contribute to energy security but reduction of the need for energy must be the primary goal to reduce fuel poverty – rather than using subsidies to partially offset inefficient use of expensive energy.

**Question 4:** Do you have any comments on our description of what might happen if no changes are made to the current arrangements?

The Trust agrees the current situation is not sustainable and that it will not bring forward adequate back-up generation for an increasing amount of generation from intermittent sources.

**Question 5:** Do you believe that our policy packages cover a sufficient range of possible policy measures?

The Trust agrees with Ofgem’s approach of considering a wide range options, believing that considerable change is required.

**Question 6:** No comment

**Question 7:** No comment

**Question 8:** No comment

**Question 9:** Do you have any comments on our initial assessment of each of the packages?

The Trust considers that more work needs to be done on the assumptions used in the scenarios, before confidence can be had in a final policy mix.

**Question 10:** Do you agree with our summary of the key benefits and key risks of each policy package?

Yes

**Question 11:** Do you have a view on which package is preferable, or alternative policy measures or packages that you would advocate? We are particularly interested any analysis you may have to support your views.

The Trust prefers **Option D** and refers to the analysis of Sir Donald Miller and Colin Gibson to support that preference.

However, the Trust is concerned about the risk of disadvantage to and loss of small-scale generation. The Trust believes that decentralised, local options must become a realistic option for social, environmental and local economic reasons - and that measures and policy instruments must be put in place which will help to bring that forward.

**Question 12:** Do you agree with our assessment of the timing for important investment decisions?

Not in a position to comment

**Question 13:** Do you believe that early actions should be considered?

The Trust believes that whilst early action is advisable, it is more essential that adequate work has been done to justify assumptions made in the decision-making process before committing to a certain policy. There are assertions within the consultation which appear questionable.

For instance, in the scenarios paper (previous consultation), when considering the stress test of “no wind output”, it states “*For this stress test, we assume that there is no wind blowing across the whole of GB during the period of peak demand on a 1-in-20 winter day, compared to our baseline assumption of 15% output. Based on our understanding of published analysis in the area we believe that the probability of this event occurring is low.*” Whilst it wouldn’t affect the stress test, it is important to consider the belief that the probability of “no wind” happening is low for future policy work. Of course, if the consultation has taken the literal interpretation of “no wind output” then this assumption is probably correct. But, for the purposes of contributing reasonably to electricity supplies, the Trust has taken “less than 5%” as a reasonable proxy for “no wind”.

The information on the NETA website for March 2010 (and, in view of the timescale this is subject to checking) suggests that, at peak demand, there were eight days when output, from the metered 1588MW, was below 5%. During February, 2010, there were several days when the average was below 5%. The Trust does not have the capacity to

analyse the data on wind production over this last winter. However, it is clear from the NETA data, and observation, that the wind resource has been very poor (compared with the anticipated average) over the course of the winter of 2009-2010, which has also been very cold, compared to recent winters. So, in the same way that the Consultation document has taken on board recent events over the past winter in relation to gas supply and use, and, very specifically, analysed and commented on that, it is essential that further work is done on the wind resource this winter - projecting the scenario whereby we have similar winter conditions in the future when we have a much greater reliance on wind, alongside the varying anticipated mix over the coming decades.

**Question 14:** Do you think that the issues are such that policy measures should be considered as a package or should they be considered on a case by case basis?

The Trust has advocated for a national energy strategy and, as a partial move towards that, welcomes an over-arching view being taken. A piecemeal approach could be disastrous. The Trust commends the approach taken by Project Discovery.

John Muir Trust