

25 November 2010

Sheona Mackenzie  
Ofgem: Transmission and Governance  
Cornerstone  
107 West Regent Street  
Glasgow, G2 2QZ

Dear Sheona

**Proposal to modify the Security and Quality of Supply Standard by increasing the infeed loss risk limits (GSR007) – DONG Energy’s Response**

Thank you for the opportunity to comment on this impact assessment and consultation. This response is made by DONG Energy Power (UK) Ltd on behalf of its affiliated generator companies operating or under development in the British electricity market. We have a particular interest as developer of the Westernmost Rough offshore windfarm (“WMR”) which urgently requires clarification on this matter since its connection arrangements either require a change to the infrequent infeed loss limit, or construction of a new double circuit overhead line.

DONG Energy supports the increase in the “normal” infeed loss limits to 1320MW and the “infrequent” infeed loss limit to 1800MW. Furthermore it agrees with the conclusions set out in the open letter from the Chairman of the SQSS review group dated 20 September (the “Open Letter”) that these changes should be introduced on a fixed date ie 1 April 2014<sup>1</sup>. It is very disappointing that Ofgem felt unable to assess and consult on both matters together, as it is quite clear that the analysis and conclusion of GSR007 have been overtaken by later developments as set out in the Open Letter.

Should GSR007 be implemented with an “infeed change date” as originally proposed, WMR and other projects in a similar position would find themselves in an impossible situation. This is because the likely future introduction of the higher loss limits would make it impossible for NGET to make a credible application to build the new overhead line, which may or may not be needed depending on other party’s actions. Indeed in the case of WMR the connection agreement has been in place for over a year and no action has been taken to progress the alternative of constructing the overhead line. Therefore without certainty on when (or indeed if) the loss limit is to be changed, it is very difficult to proceed to financial close. Whilst DONG Energy remains committed to the project, such uncertainty has already affected its development and without rapid resolution of this matter, it may yet affect its timing.

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<sup>1</sup> Available at <http://www.nationalgrid.com/NR/rdonlyres/FFD822C4-FD40-400B-A7E0-DF27DC42289B/43403/IndustryOpenLetterInfeedLoss.pdf> . We note that the impact assessment and consultation refers to implementation on 1 January 2014 but assume that you mean 1 April consistent with the Open Letter.

We also consider the current proposal to implement upon connection of the first large unit to be discriminatory against smaller and independent generators (not involved in the development of such larger unit generators) for reasons set out in our detailed response attached.

You will find our answers to the specific consultation questions in the attached Annex, including additional views as requested within the text of the consultation. This response has been sent by email only.

Yours sincerely,



Nicola Barberis Negra  
Grid connection Manager  
DONG Energy Power (UK) Ltd

## **Annex: Detailed Responses to GSR007 Consultation**

### CHAPTER One

Question 1: Are there other relevant criteria which respondents feel should form part of our assessment?

*The assessment should take account of the revised implementation proposal from the SQSS review group expressed in the Open Letter, ie that the infeed loss change should occur on 1 April 2014.*

*We agree with the conclusion of the review group, noted in paragraph 1.16 of the consultation, that development of response services should not be a barrier to changing the infeed loss limits.*

### CHAPTER Three

Question 1: Do respondents consider that we have appropriately identified the impacts of the GSR007 proposals? Do respondents consider that there are any additional impacts that we have not fully considered?

*As revised and additional analysis has been set out in the Open Letter, this should be included in the impact assessment. Consideration should also be given to the impossible position that smaller projects will find themselves in, if connecting to a constrained spur that would require NGET to build a new overhead line if the infeed loss limit was not changed (see answer to question 2 below).*

Question 2: We have presented a range of approaches in measuring these impacts. Do respondents believe that this range is appropriate? Which measures presented (or other approaches) to respondents consider should be used in our final assessment/decision?

*Ofgem should consider the carbon cost and security of supply implications arising from projects that cannot proceed due to uncertainty over the infeed change date. A number of projects have been placed in an impossible position, connecting to a constrained spur that would require NGET to build a new overhead line if the infeed loss limit was not changed. As we understand it, NGET will not progress a planning application for a new line where the need case could be undermined in a few years time when or if the infeed change date is met as originally conceived in GSR007. This delay of NGET activities will likely affect the development of projects which require an early increase of infeed loss limits.*

Question 3: Do respondents wish to present any additional analysis that they consider would be relevant to our assessment of the GSR007 proposals?

*We refer again to the Open Letter and our answer to question 1 of Chapter One.*

Do you have any views on discrimination (see paragraph 3.6 ad 3.7)?

*It is DONG Energy's view that the choice of infeed change date in GSR007 is discriminatory because the change is triggered by a single large unit, regardless of technology type or carbon savings. Whilst this is assumed to be a new nuclear unit, this is not set out in the proposed SQSS text and it could this be triggered by a large coal unit. Furthermore there is no collection of smaller generators that could trigger the change even if they made a greater carbon saving than the single large unit that does.*

*In the event that Ofgem agrees the infeed loss date proposed in GSR007, smaller project developments will still be prevented since developers will not know when or if the change will occur. The only exception would be developers within companies that are also developing large units such as new nuclear, since they will know the likelihood of one of their other projects triggering the infeed change date. Clearly such companies will have a commercial advantage over independent developers and therefore approving GSR007 as it stands would constitute undue discrimination.*

*It is therefore essential that the Infeed Change Date be varied to become a fixed date of 1 April 2014 as set out in the Open Letter.*

Unintended Consequences (see paragraph 3.9)

*As presented in GSR007 the proposed infeed change date would delay projects seeking to connect to constrained spurs and acts as a barrier to the development of projects that might otherwise contribute to the Government's target for carbon reduction.*

#### CHAPTER Four

Question 1: Do respondents have any views on either the process or timetable that are proposed for the Authority making its decision on the proposed licence changes?

*The proposed timetable is about as fast as could reasonably be expected given where things stand at the moment. However DONG Energy would hope that Ofgem feel able to confirm within the same timeframe its agreement to the revised conclusions of the SQSS Review Group as set out in the Open Letter.*