



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

26 November 2010

Dear Ms Mackenzie,

**Proposal to modify the Security and Quality of Supply Standard by increasing the infeed loss risk limits (GSR007)**

InterGen welcomes the opportunity to respond to the above Impact Assessment. InterGen has not commented specifically on the questions raised by Ofgem in its Impact Assessment but would like to make the following points:

**Infeed Loss Risk Limits**

InterGen fully supports the suggested changes to the limits for 'Normal' and 'Infrequent' Infeed Loss Risk of 1320MW and 1800MW respectively. The proposed revisions support the intention of the GSR007 review which is to facilitate the connection of low carbon generation.

**Infeed Change Date**

InterGen strongly supports the proposals set out in the Open Letter to Industry from the SQSS Review Group that the Infeed Change Date be brought forward and implemented on 1<sup>st</sup> April 2014. InterGen believes that raising the Infrequent Infeed Loss Limit to 1800MW earlier than the original GSR007 proposal will allow flexible gas-fired power stations and large offshore wind projects to connect earlier (as well as other generation types), bringing additional benefits on top of the carbon savings calculations in the Impact Assessment including reducing the size of the required grid infrastructure build, thus benefiting consumers. InterGen believes that delaying the Infeed Change Date directly conflicts with the intention of GSR007, which is to facilitate the connection of low carbon generation in line with the Connect and Manage arrangements. InterGen acknowledges the work that the SQSS Review Group has carried out on this amendment and fully agrees with the proposals and associated cost benefit analysis included in the Open Letter of 20 September 2010.

InterGen believes that if the Infeed Change date remains the date at which the first large generating unit connects to the system (anticipated to be 2016 to 2022 for new nuclear), this acts as a barrier to entry for other types of generation and the proposal becomes discriminatory other than for nuclear plant.

**Charging implications**

InterGen agrees with the principles supported in this Impact Assessment that once the change in Infeed Loss Limits is triggered, then costs associated with this connection will be socialised fully across all users. This is in keeping with principles of Connect and Manage, which InterGen has wholly

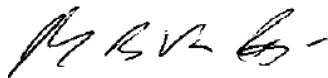
supported since it was first proposed. InterGen strongly believes it is inappropriate for new users to be forced to enter into connection agreements which would make them liable for the full increase in response costs when all other costs of system operation are socialised.

If the Infeed Loss Date is not brought forward to 1 April 2014, GSR007 will effectively discriminate against smaller units wishing to connect and exceed the current limits before the Infeed Change date is triggered by large units. Ofgem makes the point that smaller generators “would not be in a worse position than under the existing limits”, though this does not account for the benefits that an earlier change date would bring in terms of sustainable development and positive impacts on the wholesale price by minimising emissions and making use of existing transmission infrastructure. The possible carbon saving benefits of connecting new gas and offshore wind in 2014 alone make this proposal of worthwhile consideration. InterGen argues further that some projects that will exceed the current 1320MW limits will not go ahead if the infeed date is not brought forward, as targeted costs means these projects are likely to be unfinanceable.

The cost of targeting response charges at new generators cannot be modelled successfully by investors and are considered by InterGen to be overly punitive. Adding charging risk of this magnitude to a project will make it unfinanceable, particularly when smaller generators often raise project finance from foreign investors who have no appetite for such uncertainties.

In summary, if the current the GSR007 proposals are revised to include an Infeed Change date of 1 April 2014, assets will be able to connect earlier to ensure diversity of supply in the UK fuel mix, which will have positive impacts on competition, carbon emissions and consumer prices.

Yours sincerely,



Morris R. Van Looy  
UK Development Director