

By Email: Project.TransmiT@ofgem.gov.uk

DONG Energy Power (UK) Ltd.
33 Grosvenor Place
Belgravia
London SW1X 7HY
United Kingdom

Tel +44 (0) 207 811 5200
Fax +44 (0) 207 811 5298

www.dongenergy.com
Company no. 49 84 787

Dear Hannah,

24 June 2011

Our ref. 110624_TransmiT

chart@dongenergy.dk
Tel +45 9955 7515

RE: Project TransmiT - initiation of SCR

Thank you for the opportunity to comment on your letter issued on the 27 May. 2011. DONG Energy is one of the leading offshore wind farm developers in the UK with 308MW of operational wind farms, a further 653MW under construction and approximately 1.5GW under development. We also have a recently commissioned 824MW CCGT plant in South Wales.

DONG Energy agrees that it is appropriate to launch a Significant Code Review (SCR) to address the transmission charging issues highlighted through Project TransmiT. We believe there is merit in assessing the charging regime as a result of the current one having an impact on competition as well as on the environment and sustainability. The current regime was designed for a centralised system dominated by conventional plant, and does not provide a level playing field for renewable and intermittent generators, which may discourage market entry and impact on the UK's ability to meet its 2020 renewables target.

Scale and Timing

While an ambitious timescale with an SCR direction published already in January 2012 would reduce uncertainty, DONG Energy would strongly encourage Ofgem to spend the time needed to develop a robust, enduring solution.

Scope

We broadly agree with the stated scope. While we understand that Ofgem do not want to prejudice the SCR process by identifying preferred options at this stage, given the amount of time and work that has gone into previous industry submissions and engagements, and in the production of the academic reports, it is surprising to not see a more detailed discussion of options and conclusions this far

Our main concerns around the current methodology include:

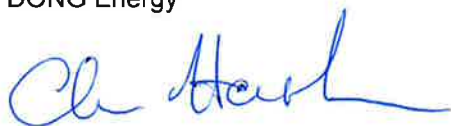
- the reduced impact intermittent generation have on the transmission system not being reflected in costs
- the appropriateness of locational charges when many generators cannot respond during the development phase, and existing plant cannot respond to changing costs at all,
- the cross-subsidising of onshore generation at the expense of offshore due to the high cost of offshore connections,
- the issue of including HVDC technologies in the current methodology
- treatment of embedded generation

We believe that these issues can and should be addressed in a review which focuses on the charging alone, leaving out options including depth of connection charges and locational energy prices.

In particular, we consider it important that any option Ofgem decide to recommend will be regarded as enduring, and thus is able to incorporate HVDC technology, which the current model cannot.

We would also welcome certainty around the treatment and future use of system charges for embedded and small generators.

Yours sincerely
DONG Energy



Claus Hartmann

Director, Regulatory Affairs