

The Office of Gas and Electricity Markets
9 Millbank,
London,
SW1P 3GE

Date: 27/06/2011

Sent by email to:

Anthony.Mungall@ofgem.gov.uk

Project.TransmiT@ofgem.gov.uk

Dear Anthony,

RenewableUK consultation response
Project TransmiT – approach to electricity transmission charging work

Thank you for your letter dated 27th May, please accept our response below. We welcome the opportunity to engage with TransmiT. With our members, we are seeking to help Ofgem deliver a timely and effective outcome and welcome further opportunities for engagement and meetings with yourselves.

About RenewableUK

RenewableUK (formerly the British Wind Energy Association (BWEA)) is the trade and professional body for the UK wind and marine renewables industries. Formed in 1978, and with over 660 corporate members, RenewableUK is the leading renewable energy trade association in the UK, representing the large majority of the UK's wind, wave, and tidal energy companies. Our response follows.

Recognition of Europe

- (1) We welcome the further clarity provided by Ofgem with regard to emerging options for GB transmission charging, and the increased acknowledgement given to the potential impacts of European regulatory development.

Impact on Investment and Timetables

- (2) We recognise the importance of providing certainty to the GB power market in order to successfully deliver Government policy targets in the short and long term, and to help drive sector wide investor confidence. Concluding Project TransmiT in a timely manner will avoid prolonging market uncertainty any longer than is necessary. In this context, and

that of the recently announced reduction in Project TransmiT scope, we are concerned that Ofgem now describe the originally planned implementation date of April 2012 as an “ambitious and challenging timetable”.

(3) In our response¹ to TransmiT Call for Evidence we stated “The timing of Project TransmiT is critical. During its course some investment decisions in new generation may be delayed or deferred which could impact on both renewables targets and decarbonisation of electricity. It is imperative that TransmiT is conducted in a timely manner, balancing the need for the review against the uncertainty it creates in the market.”

(4) We are very concerned about Ofgem’s timetable to deliver changes by April 2012. We would like to see the timetable² showing all activities to complete the process including:

- CUSC modifications
- Development of alternatives
- Development of new methodology by NGET
- Thorough testing of methodology against current stresses and potential future scenarios³
- Notification to users of charges in advance by NGET.

We would like to see the draft timetable presented at the meeting in Glasgow on 30th June for stakeholder feedback.

(5) If change by April 2012 is not achievable it is imperative that Ofgem sets out a timetable showing how changes will be achieved (e.g. for April 2013), and which achieves certainty as early as possible to reduce investment hiatus.

(6) Both timetables must show important interactions between other related activities which are critical for renewables delivery e.g.

- ROC banding review – which should consider transmission charging
- Electricity Market Reform (EMR)
- Development or relevant European Framework Guidelines and Network Codes
- FIT review
- Treatment of transmission losses.

¹ A joint response of RenewableUK and Scottish Renewables.

² E.g. a Gantt chart & project plan.

³ In our TransmiT Call for Evidence response we proposed a thorough set of tests to ensure that any new scheme was robust to future industry developments.

Academic Work and RenewableUK contribution

- (7) We welcome the recent publication of academic work, and the review of academic work. RenewableUK and its members complimented the evidence base available to Ofgem by commissioning consultants to examine the GB charging options in light of a selection of system “stresses” that any solution should look to address. The public domain report by Poyry Management Consulting (UK) Ltd has been submitted to Ofgem⁴.

Stresses in the current arrangements

- (8) In our response to the Project TransmiT call for evidence, we highlighted a number of stresses where the current charging system is flawed and which TransmiT needs to address. The stresses were in the areas of:
- User commitment (now progressing under CMP192)
 - Offshore charging
 - Treatment of HVDC including bootstraps
 - Islands
 - Uncertainty for Distributed Generation
 - Interconnectors & international parity
 - Storage and Peaking plant
 - The role of changes to the SQSS in relation to charging
- (9) A key issue, which any revision to the charging regime must address, is the interaction between offshore and onshore generators to ensure fair treatment for both. Under the current charging methodology, the development of offshore renewables and the associated offshore transmission networks results in significant reductions in charges for onshore generators, even if the amount of transmission used by onshore generators is unchanged. Ultimately, charges for onshore generation will fall to zero and then become negative overall.
- (10) We maintain the way in which the current GB transmission charging regime treats the interaction between offshore and onshore generators is one of the most important aspects that any new charging methodology should seek to address.

⁴ http://www.bwea.com/pdf/publications/234_TransmiT_Report_For_RenewableUK.pdf

Conclusion

(11) Considering the above we would support a SCR provided

- It results in a decision that solves the current stresses
- it does so in a timely manner and
- this cannot be achieved without using the SCR process.

Yours sincerely,

A handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke, positioned below the text 'Yours sincerely,'.

Guy Nicholson, Head of Grid for RenewableUK