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14 February 2012

Project TransmiT: Electricity transmission charging: assessment of options for change

Lewis Wind Power ("**LWP**") welcomes the opportunity to respond to this consultation, we were established to develop a wind farm on the Isle of Lewis.

As noted in our response to the call for evidence we believe that locational price signals to generators are appropriate. If generators are exposed to the costs of their impact on the overall transmission system build this will contribute to ensuring network costs to consumers are optimal. We also hoped that Project TransmiT would review holistically whether the current magnitude of transmission charges is preventing targets from being met and consider if the current differentials in transmission charging remain reasonable.

We therefore welcome the developments that Project TransmiT has made and Ofgem's proposal to take forward the Improved ICRP model. We recognise the need for charging to evolve and as the transmission is now built to reflect the different load characteristics of different plant it would appear appropriate that the charging methodology should reflect this. However, the Improved ICRP methodology has not addressed the issue of island charging, which still represents a significant hurdle for an investment decision in these projects.

It is likely that island wind projects could deliver power and consequential carbon savings for the UK at lower costs than offshore wind. In some circumstances it is reasonable to suppose that it is more efficient for both generation and transmission investors to develop island projects ahead of offshore.

We therefore believe that it is imperative that the industry considers how to address this when developing the Improved ICRP model. As identified by Ofgem, one of the key issues to consider is the appropriate security factor for Island charging in the event that there is no redundancy in the cable connection. It would not appear appropriate for Island generators to be charged on a wider security factor of 1.8, when there is no redundancy in the connection to the islands. It would therefore appear that charges should reflect this and any workgroup should consider what compensation is available to Island generators if the reduced redundancy in the connection is reflected in a reduced transmission charge.

We note that the calculation of local charges for the islands differ from that employed on the mainland where local charges are derived from an averaging methodology.

The islands; however, face a very cost reflective charge based on their project costs as there is insufficient comparable data to conduct an averaging methodology. It would appear reasonable that the industry should give consideration to this issue and develop options to address this.

The Islands also have different characteristics to other generators who face a local connection charge, be it onshore or offshore, as demand is also present on the islands. It is not clear that this distinction has been taken into account in the charging methodology with generators funding the cost of the connection that would also benefit consumers on the islands. We would therefore urge the industry to consider how this unique situation is taken into account when developing the charging methodology.

Finally we note that any changes to the charging methodology must be able to endure for sufficient time as investment decisions will be made on the basis of any changes. Any changes to the charging arrangements should be based on sound principles and provide an enduring basis for charging so that there are not further changes within investment timescales.

Yours Sincerely,

P.P. John Cockin
Director, Lewis Wind Power
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