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Dear Anthony,

Re: RES Response to Project TransmiT - Assessment of Options for Change consultation document

Thank you for the opportunity to respond to the proposals set out in the Ofgem Project TransmiT Assessment of Options for Change consultation document published on 20 December 2011.

RES is one of the world's leading independent renewable energy project developers with operations across Europe, North America and Asia-Pacific. RES has been at the forefront of wind energy development since the 1970s and has developed and/or built more than 5GW of wind energy capacity worldwide, including projects in the UK, Ireland, France, Scandinavia and the United States.

RES welcomes Project TransmiT and is encouraged that Ofgem is taking firm steps to change Transmission Network Use of System (TNUoS) charging such that it better reflects the characteristics of the profile of future transmission system users. RES is broadly supportive of the principles which underpin Ofgem's proposals, namely the ruling out of socialised charging and the further progression of Improved ICRP (IICRP). This is because, relative to Status Quo, IICRP more closely reflects the approach to system development applied by the transmission owners, who take account of the variable nature of wind generation in considering the need for network investment.

For reasons that are set out in the consultation question responses, RES would give particular support to the IICRP variant in which the cost of HVDC Converter Stations on HVDC parallel links are treated in the same way as other transmission system AC substations.

RES would express some concern at the openness and transparency of the Redpoint economic modelling work which underpins the bulk of the views set out in the Ofgem consultation document. RES considers that, in attempting to shoehorn a very significant amount of analysis into a short period of time at the back end of a long consultation process, there has been insufficient opportunity to interrogate and stress test the Redpoint economic modelling. Given that Ofgem's consultation document appears to draw the bulk of its conclusions from this analysis, it seems essential that the wider community of transmission system users

should have had the opportunity to challenge this work in order that they can have confidence in its findings. RES does not support the adoption of Socialised charging because we do not think that it will support the development of the GB transmission system in the most economic and efficient manner and, for this reason, is content that Ofgem's way forward should be pursued without further review on this occasion. However, RES would encourage Ofgem to consider the need for sensitivity analysis and stress testing of detailed economic analysis where it forms part of future Significant Code Reviews.

Responses to the questions posed in the consultation document are set out below.

CHAPTER FOUR

> *Question 1: Do respondents consider that we have appropriately identified and where possible quantified the impacts of the Project TransmiT options?*

RES considers that the areas of impact have been appropriately identified but, as noted above, would like to have had the opportunity to challenge some of the assumptions and input data upon which the Redpoint analysis is based. For example, table 23 of the Redpoint analysis appendix "*Modelling the Impact of Transmission Charging Options*" identifies typical planning timescales of two years and construction timescales for nuclear power stations of just 5 years. These assumptions would appear unrealistically short, even taking into account the likelihood of replanting. RES would like to have had the opportunity challenge this and the input assumptions more widely. For this reason RES cannot comment on the appropriateness of the quantification of the impact of the Project TransmiT options.

> *Question 2: Do respondents consider that there are additional impacts which we should take into account in the decision making process and, if so, what are these?*

At this stage, no, RES would not propose additional impacts to be assessed.

> *Question 3: Do respondents consider that we have appropriately identified the potential interactions of the Project TransmiT options?*

This question is unclear. The only reference to interactions within the consultation document is set out in Chapter 3 in relation to the description of the role of EMR and other low carbon support mechanisms within the Stage 1 and Stage 2 economic modelling. RES considers that the Stage 1 and Stage 2 methodology outlined in the document is an appropriate way to establish a baseline impact assessment and to assess the impact of charging options.

> *Question 4: Do respondents consider that we have appropriately identified the likely impacts and consequences of these interactions?*

As noted above, RES would like to have seen interrogation and stress testing of the impacts of the charging options before commenting on the appropriateness of the conclusions.

CHAPTER FIVE

> *Question 1: Do respondents consider that we have appropriately identified and taken account of the key sustainability issues?*

At this stage, RES would not propose additional sustainability issues to be assessed.

Question 2: Do you think there may be long term and strategic benefits associated with the development of HVDC technology, in particular the treatment of converter station costs for links that parallel the AC network, which Project TransmiT modelling has not fully considered because of the timeframe of the modelling (i.e. 2030) and the limited nature of the bootstrap options?

The work of the Electricity Networks Strategy Group, subsequently developed and refined in the Transmission Owner RIIO business plans serves to underline the role that HVDC can play in establishing sustainable energy security for GB. For this reason, RES considers that HVDC infrastructure initiatives should at least be treated on a like-for-like basis with HVAC alternatives in order to help to facilitate its introduction to the GB transmission system.

Question 3: Do you have any supporting evidence for a different treatment of the converter station costs for the planned bootstrap HVDC options?

HVDC converter stations on the planned bootstrap developments will play a role analogous to MITS HVAC substations, the costs of which are currently recovered through the residual element of the TNUoS charge. It would therefore seem appropriate to treat HVDC converter stations in the same manner, hence RES' support for the IICRP HVDC variant.

I trust the views expressed above are helpful. If you wish to discuss them or any associated matters then please do not hesitate to contact me.

Yours sincerely,

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