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Administrative officer
Øyvind Bergvoll

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Ofgem, Electricity Transmission Team
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By e-mail to: Project.TransmiT@ofgem.gov.uk

Dear Sir,

Electricity transmission charging: assessment of options for change

Statoil welcomes the opportunity to give our contribution to Ofgem's consultation on electricity transmission charges. As part owner and operator Statoil is currently constructing the Sheringham Shoal offshore wind farm. Statoil is also a member of the Forewind consortium developing the Dogger Bank zone, the largest of The Crowne Estate's round 3 leases.

Transmission charging gives important information to a generator's decision on where and when to invest, thus it is vital that the signals it sends are well understood and the results are as intended. The current transmission charging methodology (ICRP) includes a strong locational element which penalise generators located far from major load centres. Previously when generators had the choice of transporting fuel or electricity this may have had good merit. Today, when the UK needs to move to a low carbon energy sector, this methodology instead sends a strong disincentive investment signal to renewable generators who wish to locate where the wind and marine energy resources are most favourable.

We acknowledge that the impact on consumer bills is important and needs to be assessed. We are however concerned that the assumptions in the Redpoint Energy analysis do not represent the best available information for offshore wind generation and transmission. The analysis' prediction of the cost of the socialised charging methodology may therefore exaggerate the differences between the charging models. The analysis would have been better and provided results with higher certainty if round 3 site specific information on generation and transmission cost had been used, and if a sensitivity analysis, where the targets set in the offshore cost reduction initiative is met and in accordance with the Renewable Energy Roadmap, was included.

We agree with Ofgem that improved ICRP is the right direction for transmission charges at this stage while we also see advantages with the socialised charging model. While the locational element is retained in the proposed charging model, the model acknowledges that "capacity sharing" is relevant and needs to be reflected in the revised charging methodology. The documentation provided and lack of clarity on how the European electricity market will evolve does also support this. We assume however that Ofgem will commence further work on transmission charging when clarity on the way forward on European electricity market harmonisation is reached.

Kind regards

Statoil ASA

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