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14 February 2012

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Dear Sirs

Project TransmiT - Consultation Response Voith Hydro Wavegen Limited

Voith Hydro Wavegen is pleased to have the opportunity to provide further input to the Project TransmiT process. The points from our letter of 17 November 2010 stand, but the process has moved on, and we are responding to the current consultation.

Voith Hydro Wavegen has continued to take an active interest in Project TransmiT, including participation in the meeting in Inverness on 13 January 2012. At this meeting there were strong views put forward regarding the need for a solution which recognises the renewable opportunity on the main island groups of Shetland, Orkney and the Outer Hebrides. Industry and local government, including MSPs, were united in seeking a solution which will facilitate the renewable generation and consequential economic opportunity for these island groups. This generation option is critical to both UK and Scottish Governments' renewable target achievement.

Voith Hydro Wavegen would have liked to see the socialised option considered in more detail. Indeed it seems that the socialised model is somewhat extreme (tending towards worst case), including the combined factors of energy based rather than capacity based charging, and offshore grid. It would be interesting to see the results of a capacity based model which included the islands, but not offshore. It would also be interesting to see how this approach would affect the summary table on page 10 of the Redpoint report. It currently shows a very strong benefit for renewable deployment from socialised charging, but a very significant increase in transmission costs. It is likely that the effect on transmission costs would be much less significant.

Voith Hydro Wavegen is disappointed that the island groups do not appear to be well recognised in the consultation documents. The North of Scotland 'location' is shown as having the highest TNUoS charges, but no specific case is fully explained for the island

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groups. In addition the maps on page 44 onwards of the Redpoint report do not show the island groups, but have a graphic for 'Offshore Location'. Under Project TransmiT it is debatable whether the situation for the island groups has worsened or improved. While the quantum of TNUoS charges may be reduced, the ratio to mainland charges has increased.

OFGEM and consultees have recognised the need for a solution for the islands, and the observations above reinforce the need to consider an improved solution for the island groups. While the concept of grouping the islands in that North Scotland location is appealing, perhaps a more realistic option is to set a maximum level for TNUoS charges of two times the highest mainland charges. This has the benefit of being location reflective, while not creating too great a disadvantage.

The primary aim of Project TransmiT is clearly '....to facilitate the timely move to a low carbon energy sector...'. This must therefore be the first guiding principle for the solution adopted. Voith Hydro Wavegen is disappointed that OFGEM has not pursued the socialised model, but we believe the improved ICRP model is a recognition that the basis of transmission charging needs to become a fairer and more equitable mechanism, and we hope that it is a step on the road to levelised charging for all UK land locations.

On the assumption that Improved ICRP is adopted at this stage, we would strongly suggest that transmission charges for the island groups are either socialised, which should have a modest effect, or they are capped at two times the maximum mainland charges;

On a marine energy specific point, we believe some specific incentives would be helpful in stimulating projects. We previously suggested waiving or socialising TNUoS charges for marine energy projects up to an initial limit (say 250MW installed capacity). We would still like to see this or a comparable solution adopted.

Voith Hydro Wavegen would be very pleased to provide further information to OFGEM, and to be involved in any further discussions on Project TransmiT.

Yours sincerely,




Matthew Seed
Chief Executive Officer