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7th October 2013

Anthony Mungall
Senior Manager Transmission and Policy
Ofgem
107 West Regent Street
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Project.transmit@ofgem.gov.uk

Dear Anthony,

SUBJECT: Project TransmiT – Impact assessment of CMP 213

Introduction & Overview:

Pelamis Wave Power (PWP) welcomes the opportunity to continue to contribute to Ofgem's consultation process for Project TransmiT.

Wave and tidal energy have been identified as being able to provide a significant contribution to the future UK's energy mix, capable of providing up to 25% of current UK electricity demand from a low carbon, indigenous renewable energy resource¹. Delivering this opportunity would capture significant economic benefits to the UK and provide a net wealth generating industry through an export market which would stretch across a global resource.

PWP is a Scottish based world leading wave energy technology company and currently has some 170MW of projects under development for Pelamis technology, including projects being developed by, or in partnership with, utility companies; ScottishPower Renewables, Vattenfall and E.ON. These projects are located in the waters off the north of Scotland with four out of five developments sited off the Scottish Island groups. For the nascent wave energy industry, it is therefore crucial that the Scottish Islands and projects at the periphery of the grid system can access the grid network and are subject to a competitive charging and underwriting system.

Consultation Response:

¹ The Carbon Trust – Marine Energy Challenge.



Ofgem recognised the need to address the charging system for the Scottish Islands within Project TransmiT objectives. However PWP is concerned that the conclusions of the study and the resulting position Ofgem is 'minded to' adopt has done little to address the barrier caused by high charging levied on Island projects and TNUoS costs remain prohibitively high. We would ask Ofgem to request National Grid further look at what modifications can be made to address this issue without delaying the implementation date of April 2014 for the wider changes.

PWP's favoured position, as indicated previously in the consultation process, was for option WACM 7 which provided for removal of a generic proportion of costs for HVDC Island links. PWP is disappointed, that in its current position, Ofgem has not included any element of socialisation for HVDC infrastructure. We feel that not including any socialisation for HVDC converter costs does not recognise the wider benefits from this infrastructure and is not consistent with the approach taken with HVAC technology. We would ask Ofgem to reconsider their current minded to position in respect to HVDC links.

Lastly, we note that during this consultation process, DECC have released a proposal on provision of an island Contract for Difference strike price uplift aimed at offsetting some of the higher costs for wind developments in the Scottish Islands. While this principle is welcome, the proposed uplift is generally lower than the Baringa report calculated would be required for wind projects to be cost competitive and more importantly currently does not provide for marine renewables. We are concerned that Ofgem may feel the issues surrounding island charging are now being addressed by DECC's proposal's and that the requirement for a solution within the charging system is no longer pressing. PWP do not agree this is the case.

PWP's responses to Ofgem's consultation questions are set out in the annex of this letter.

Yours sincerely,



Rosalind Hart

Senior Engineer: Project & Business Development

Pelamis Wave Power

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Responses to Ofgem's Questions

Question 1: Do you think we have identified the relevant impacts from NGET's modelling and interpreted them appropriately?

Our response here is aligned with Scottish Renewables and we support the qualitative approach that has made during this programme of work.

Question 2: Do you have any further evidence of the impacts of the charging options not covered by NGET's analysis?

We encourage the Ofgem to consider the wider benefits of renewable development on the Islands as set out in work undertaken by Baringa for the Project TransmiT. This showed there to be significant economic benefits from the deployment of wind, wave and tidal projects in the Scottish Islands.

Question 3: Do you agree with our assessment of the options in terms of the strategic and sustainability impacts? In particular, are there any impacts that we have not identified?

Our response here is aligned with Scottish Renewables.

Question 4: Do you think that socialising some of the cost of HVDC converter stations could lead to other wider benefits, such as technology learning? If so, please provide further evidence in this area.

PWP is of the opinion that option WACM 7, which provided for removal of generic proportion of costs for HVDC Island links (70%) is the best option and are disappointed that Ofgem's minded to position does not allow any degree of cost socialisation. We believe a degree of socialisation is justified to give a similar level of cost reflectivity to existing onshore transmission when substation costs are charged out without consideration to location.

The wider benefits of HVDC technology such as reactive power compensation for island links should be recognised. In addition to recognising the wider benefits we don't believe the current position to be consistent with the treatment of AC technology.

We would ask Ofgem to request National Grid relooks at the position in respect to HVDC links.

Question 5: Do you agree with our assessment of the options against the Relevant CUSC objectives? Please provide evidence to support any differing views.

Our response here is aligned with Scottish Renewables. We would also refer to the previous answer with respect to HVDC technology and our covering letter which outlined our disappointment that island charging remains at a high level.

Question 6: Do you agree with our assessment of the options against our statutory duties? Please provide evidence to support any differing views.

Our response here is aligned with Scottish Renewables.

Question 7: Do you agree with our assessment that it is appropriate to implement WACM2 in April 2014? Please provide evidence to support any alternative implementation date.



Yes, we agree with the April 2014 date and would not like to see delay in implementation. We feel it is important to introduce the changes in this timescale to ensure projects can move ahead in a competitive and timely manner.

