

10th October 2013

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Dear Anthony

Project TransmiT: electricity transmission charging – minded to decision and impact assessment on CMP 213

The Renewable Energy Association gives below its views on your proposed minded to decision on CMP 213 and the associated impact assessment. As you know our members work on all types of renewable power and heat projects including many electricity generation projects that are dependent on the transmission system. We have participated fully in Project TransmiT from its inception in 2010.

Clearly the issue is of considerable importance for all generators and one where it is often not easy to achieve a consensus as by the nature of charging giving advantage to some parties often results in a corresponding disadvantage to others.

Overview of the minded to decision

We agree with you that the minded to decision of option 2 is better than the status quo but think that there is still merit in option 30 (the same as option 2 but meeting half the cost of hvdc link convertor stations non locationally).

We remain concerned that island schemes should not be overcharged and in the absence of any move forward in providing a methodology to apply improved ICRP consistently on the mainland and in links to islands it would

appear that removing a fixed proportion of converter costs would provide a similar level of cost reflectivity to that provided for onshore transmission.

Response to the specific question asked

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

Broadly yes. It is clear though that the difference between the options is small relative to the amounts being modelled and other factors could have a larger impact on the outcome for example financial market relative appetites for different types of risk, ease of getting planning permission for on shore wind etc. As the results between the different options are in many cases so small relative to the base amounts we do not think that the final decision should necessarily be taken on the basis purely of which one appears to show a marginal improvement over a different option.

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

No.

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?

As for our response to question 1 broadly yes. One of the benefits of making charges cost reflective is that there is then less risk over time that they or at least the methodology used to calculate them will be changed significantly, removing one of the risks facing a developer and thereby lower the cost of building new low carbon generation.

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.

We think that there is merit in option 30 (charging half the cost of converters non locationally) because this gives a similar level of cost reflectivity to existing onshore transmission where substation costs on the MITS are charged out non locationally. More importantly though the benefit of hvdc technology such as mimicking quadrature boosters (for bootstraps) and reactive power compensation equipment (for island links) should be recognised. It should also be recognised that dc bootstraps in particular tend to cover long distances and an equivalent length of conventional ac transmission is likely to have several

substations along its route, each with substation costs that are not recovered locationally.

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

With the exception that we do not think that the treatment of cost reflectivity of hvdc convertor stations relative to ac MITS substations has (see answer to previous question), broadly yes.

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

We do not disagree with anything said in this section but note that footnote 43 says that option 30 would require £40m less low carbon support than option 2, providing some further support for the former option.

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.

Implementation from April 2014 has the merit of removing any residual uncertainty about the outcome of this long standing project and also in terms of realising the benefits at the earliest possible date. We would therefore support it with one proviso. As mentioned in previous consultations we think that any generator that wishes to reduce its output capacity or close at the end of March 2014 as a result of the changes in transmission charging should be able to do so without being liable for the payment of transmission charges (on the closed capacity or reduction in capacity) for 2014 / 2015. If you are not willing to include the latter provision then we would prefer implementation in April 2015.

We hope that you find these comments useful. Please let me know if you would like to discuss them further.

Yours sincerely

Nina Skorupska

Chief Executive, Renewable Energy Association