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**Repsol Nuevas Energias UK Ltd – Response to OfGEM consultation on Project TransmiT CMP213
Impact Assessment of Industry’s Proposals to change the Electricity Transmission Charging
Methodology.**

Dear Geoffrey,

With regards to the request for feedback on the consultation around CUSC modification proposal 213 – onshore TNUoS charging methodology, please see below and attached Repsol Nuevas Energias comments.

Repsol Nuevas Energias UK Ltd (RNE) is an offshore wind farm developer with a key shareholding in three offshore wind farms in Scotland. These consist of two Scottish Territorial Water developments at Beatrice Offshore Windfarm and Inch Cape Offshore Windfarm each with 1000MW and 1050MW of grid connection offers respectively and one UK round 3 development at Moray Offshore Windfarm which holds 1500MW of grid connection offers. Please note that the following views are that of Repsol Nuevas Energias UK Ltd. and do not necessarily represent the views of our project partners or of the project entities themselves.

In general it is the view of RNE that the introduction of this modification is necessary in order to address the issues highlighted during project TransmiT and to account for the changing energy mix in the UK over the next decade. RNE is broadly in agreement with the methodology and approach adopted in this consultation to date but has some key concerns and points that it wishes to raise in this response. These comments are included in the attached appendix.

Should you have any questions regarding this feedback, please contact Hugh Morgan or Stephen Kerr on 0131 557 7101.

Yours sincerely

Hugh Morgan

On behalf of

Repsol Nuevas Energías UK Limited

APPENDIX – Repsol Comments on CMP213 Impact Assessment of Industry’s Proposals to change the Electricity Transmission Charging Methodology.

Suggested methodology and WACMs

Repsol Nuevas Energías UK Limited (“RNE”) is in broad agreement with industry conclusions and the highlighted WACMs put forward in the initial round of consultations. All of the suggested amendments to the TNUOS methodology do, to a greater or lesser extent, improve on the current system by reflecting the costs imposed by different types of generators, whilst also reflecting the development of HVDC links in the system. Where applicable to do so these WACMs have also managed to keep the locational signals in place and have managed to drive an efficient system design with the modelling results showing a general increase in the generation in high renewable resource zones. RNE believes that this can only help to reduce overall £/MWh cost of new generation that will be passed through to the UK customer, and as such RNE agrees that most of the suggested WACMs would result in an improvement to the current methodology. In general it is RNE’s view that consultations and methodologies such as this, should wherever possible, take the simplest approach and that added complexity to the model or process is only justified if the benefit shown is significant.

OfGEMs minded to position of WACM 2

RNE agrees that of the diversity options suggested, Diversity 1 holds the best overall methodology. However RNE remains convinced that the original proposal provided the best and simplest option that did not expose developers long term forecasts to changes due to fuel mix in their respective generation zones. It is questionable, on the evidence provided, if the additional complexity added to the methodology through creation of a diversity calculation provides any significant material improvement over that of the original given the likely accuracy of such modelling techniques. That said RNE agrees that if introduction of a diversity factor is required, then it is best done on a deterministic relationship between fuel types and as such Diversity 1 is favoured over Diversity 2.

With regards to the annual load factor and the assumptions for new plant to use historic data from similar generation types, RNE believes that it would be better to employ a hybrid solution throughout. As above however taking account of the model complexity and accuracy it is recognised that this too may be an added complication that provides little overall benefit. For offshore wind farms, it is most likely that ALF will improve with the newer STW and Round 3 designs. Therefore it does not seem sensible to use generic load factors based on previous projects when assessing developing technologies. RNE feels that an agreed forecast would be provide a better reference for these new connections until such time as actual historic data becomes available. With both the use of forecasts or the use of generic load factors, RNE would propose that a reconciliation payment should be introduced in the initial 5 years of operation to reflect the actual ALF of the site.

RNE does not agree with OfGEMs view on treatment of HVDC systems in this methodology. There does not appear to be any evidence or justification in treating HVDC converter stations differently from the socialised cost of AC substations in the onshore system. This is particularly true of converter systems utilising the more expensive Voltage Source Converter technology, such as the east coast link. The choice of this newer technology over that of the classic HVDC system, used on the Western Link, is in a large part due to the added benefits of Voltage source systems. Exactly as discussed by the working

group this equates to the benefits similar to that of Quadrature Boosters and Static Var Compensators plus additional benefits for wider system stability and control. Additionally, the switching options created via a multi terminal arrangement also have similar benefits to that of onshore AC switching stations and again should in RNE's view be treated in a similar socialised sense, especially when accounting for the additional cost of multi-terminal control systems. RNE therefore supports the previously discussed 60% and 70% split for onshore HVDC and Island links. In fact the VSC converter stations could be argued to provide even more of a wider benefit to that of an AC equivalent. An excellent example of this is the east coast links ability to dampen potentially unstable onshore AC system oscillations on the onshore Scotland/England Interconnector reducing the possible wider system instability.

Given the above points RNE accepts that WACM 2 provides a balanced view of industry views and provides overall benefits over the current system. However of the 8 options short listed WACM 28 would provide a more consistent and fairer solution.

Timing and Implementation

RNE agrees with the planned April 2014 timelines suggest by the Authority and would like to echo the comments made in the joint industry letter, "SWIFT IMPLEMENTATION OF CHANGES TO TRANSMISSION CHARGING", submitted on July 3rd. Given the length of time this topic has been investigated and discussed by the industry through project TransmiT and the significant code review, RNE believes that the required changes to the CUSC should be implemented as soon as is reasonably practicable. A speedy roll out of this modification would benefit the industry as a whole and would assist in achieving the key targets for sustainable energy generation, ensuring security of supply and providing best value for money for current and future customers.

Uncertainty in future costs and revenues introduced by on-going code amendments, EMR uncertainty over strike prices, and political uncertainty introduced around future electricity prices all lead to difficulty in achieving the significant amounts of investment that the country needs if these large projects are to be realised. This uncertainty is also exacerbated by the fact that the EMR consultations are not running concurrent with relevant code amendments causing disparity of positions between code requirements and the position under the CfD and EMR delivery plan. As has been highlighted by many others previously, indecision in such matters only adds to the large amount of uncertainty created by having so many on-going consultations and modifications.

Further to this RNE would like to address the concerns raised regarding early implementation. It was suggested this would add costs to the customers due to the net increase shown in the early years of the modelled data. RNE believes that any such increase introduced as a result of these changes would still be present following a further delay to the roll out of CMP213 but that additionally there would be an impact in investment due to the uncertainty over future charging methodologies.

As a result of this and in order to have a working methodology in place prior to the commissioning of the West Coast HVDC bootstrap in 2016, RNE would suggest that an April 2014 roll out for this amendment remains the target for the industry.