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Dear Anthony,

**RenewableUK consultation response, Ref 137/13**

**Project TransmiT: Impact Assessment of Industry's Proposals (CMP 213)**

**Summary**

RenewableUK welcomes Ofgem's consultation relating to CMP 213. The issue has been widely debated within the energy sector, and RenewableUK has actively engaged its members on discussions regarding the impact of the changes on renewables. Not all our members have come to the same conclusions as RenewableUK has. We have taken our position based on industry engagement and the important principles we see being addressed in the changes. We expect some of our members to come to other conclusions, based on their own analysis.

- **We welcome proposals on sharing, which create a more level playing field and are more cost-reflective of the use of grid.**
- **This should help the Levy Control Framework stretch further to support low-carbon generation.**
- **Whilst we support Ofgem's overall decision, we believe the wider benefits of HVDC are not fully represented in this decision, noting that there is no realistic counter-factual of "GB grid without HVDC."**
- **Ofgem should not just "drop" the islands but rather support and input into Government's development of an island renewables support scheme.**
- **We support the prompt implementation timescale of April 2014 but acknowledge the argument for a transition arrangement for existing plant.**

## Introduction

RenewableUK is the trade and professional body for the UK wind and marine renewables industries. Formed in 1978, and with over 660 corporate members, RenewableUK is the leading renewable energy trade association in the UK, representing the large majority of the UK's wind, wave, and tidal energy companies. The association's response aims to represent these industries, aided by the expertise and knowledge of our members.

RenewableUK represents developers from across the UK, from the south of England to the north of Scotland and the Scottish islands, all of whom may be affected differently by various proposals for transmission charging. RenewableUK's vision is of renewable energy playing a leading role in powering the UK's homes and businesses. As such, this response aims to reflect what best serves the long-term deployment of renewable generation as a whole.

The issue has been widely debated within the energy sector, and RenewableUK has actively engaged its members on discussions regarding the impact of the changes on renewables. Not all our members have come to the same conclusions as RenewableUK has. We have taken our position based on industry engagement and the important principles we see being addressed in the changes. We expect some of our members to come to other conclusions, based on their own analysis.

Our interest aligns with the original objective of Project TransmiT, namely: "to ensure that arrangements are in place that facilitate the timely move to a low carbon energy sector, whilst continuing to provide safe, secure, high quality network services at value for money to existing and future customers."

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

The impacts have been identified. However, there could be more contextualisation of these, in a number of areas, notably:

- TNUoS variations that would happen regardless of any change to the charging methodology
- the limitations and sensitivity of the modelling
- the political consequence of varying factors within the model

The consultation seems to present a slightly misleading picture that Status Quo would lead to the highest deployment of renewables (figure 13, page 40). However, what this does not show is that the low-carbon support costs of Diversity 1 would be significantly lower than under Status Quo. Therefore, the political viability of renewables deployment under Diversity 1 is greater than under Status Quo. Put another way, the Levy Control Framework for renewables support will stretch further.

**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?**

Yes. We particularly welcome the considerations around HVDC. We are therefore disappointed that, despite considering the wider benefits of HVDC, Ofgem proposes not to recognise these within its conclusions. There is no realistic counter-factual of "GB grid without HVDC," so it seems unfair to apportion the costs of HVDC to specific generators.

Having said that, we do not want Ofgem to delay its decision. Indeed, we believe more consideration could be given to the short-term industry impacts of ongoing uncertainty. A timely decision, with a clear vision, would allow industry to adapt quickly and efficiently to the new regime.

**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.**

Yes. The benefits are as set out in the consultation.

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

Yes. We believe the proposal on sharing better facilitates the Applicable CUSC objectives on two counts: a) the promotion of competition; and b) cost reflectivity.

Renewables and in particular wind generators do in general share assets. Recognising this sharing therefore opens up the generation market to more (renewable) generation; and reflects more accurately the costs of transmission. The proposal for Diversity 1 under WACM2 balances the relevant factors of transparency, accuracy, and certainty. The original motivation for the CUSC process was to remedy a defect in charging methodology which was anti-competitive, a barrier to entry, and resulted in a cost to consumers. Change is therefore needed.

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

Yes. However, on support for renewable generation in the islands, it is important that Ofgem does not “drop” the subject. As part of its duty to protect the interests of future customers, and as part of facilitating the transition to a low-carbon economy, Ofgem needs to build on the work and decisions made in relation to island charging, and use this to inform Government policy relating to support schemes for island 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. The TransmiT process has been underway for over three years. Although the notice period of April 2014 is relatively short, every company will be prepared for a change according to this timescale. We acknowledge the argument for a brief transition arrangement for existing plant.

We trust this submission is helpful, and we look forward to working with you towards a timely and transparent outcome.

Yours faithfully,

Zoltan Zavody  
Grid Policy Team