



Llywodraeth Cymru  
Welsh Government

Anthony Mungall, Senior Manager transmission  
policy  
Ofgem  
107 West Regent Street  
Glasgow  
G2 2QZ

Our ref:  
Your ref: MB/FM-/4536/13

7th October 2013

Dear Anthony

**PROJECT TRANSMIT: IMPACT ASSESSMENT OF INDUSTRY'S PROPOSALS  
(CMP213) TO CHANGE THE ELECTRICITY TRANSMISSION CHARGING  
METHODOLOGY**

1. Further to our response to the consultation on 20<sup>th</sup> February 2012 and our attendance at the stakeholder event on 6<sup>th</sup> September 2013, we confirm that the Welsh Government position on the Project Transmit recommendations are set out below.
2. The Welsh Government's preferred option continues to be to maintain the status quo, ICRP.
3. We believe that the status quo ICRP system internalises costs with transmission investments, with costs being a function of the distance over which power is transported.
4. You argue that the current system of very high charges in some remote areas could present a barrier to exploiting the best renewable sources and jeopardise hitting the UK Government renewable and decarbonisation targets. We would suggest that it is the job of Government to provide the incentives for renewable generation and that the transmission charges should continue to internalise the costs as with the status quo.
5. In 'Energy Wales: A Low Carbon Transition' the Welsh Government stated the importance of base load capacity in supporting the transition to low carbon generation in Wales. We are concerned that the new charging system could have a negative impact on the ability of Wales to attract and maintain base load capacity during this transition.

6. In particular, our concerns include the following:

- All other things being equal, zones which currently have high charges, such as North Scotland, become more attractive for siting plant with lower load factors.
- There will be a rise in the charges of non-intermittent generators in Wales and a fall in charges for base load generators in Scotland.
- Transmission costs for Wylfa B could rise by 10% annually.
- Viability of coal generation in Wales. Although we note there is some encouragement in the new WACM 2 model that charges will be lower if plant operate at 70% load versus 30%.

7. The Welsh Government, however, recognises that the minded-to option, WACM 2, being consulted on is an improvement on the 'improved ICPR' preferred option that we provided views on in our February 2012 response.

Yours sincerely

Dr R Loveland  
Energy Adviser to the Welsh Government



Emma Edworthy  
Head of Regulated Markets

