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27/05/2014

Dear Catherine

Highlands and Islands Partnership Response to Project TransmiT: Further consultation on proposals to change the electricity transmission charging methodology

Highlands and Islands Enterprise (HIE) is the Scottish Government's agency responsible for economic and community development across the North and West of Scotland and the islands.

HIE makes representations to key participants on behalf of industry to influence the way in which grid construction is triggered, underwritten then accessed and charged for in the region.

HIE and its partners have been closely involved with Project TransmiT since its inception in September 2010 and welcome the opportunity to respond to this consultation.

General Comments

The GB transmission charging methodology has been debated intensely and transparently with high levels and quality of supporting evidence for over 3 years. In this time, industry, the Regulator and System Operator have arrived at a position which will better meet the imperative to connect large amounts of new and low carbon generation to the electricity networks to meet climate change targets, while continuing to provide safe and reliable energy supplies at value for money for consumers today and in the future.

WACM2 represents a move away from the status quo which has required compromise on all sides of the debate. We nevertheless agree with Ofgem's minded to position and provide more detail on our views in our response to the specific consultation questions below.

Response to Specific Consultation Questions

Question 1: Do you agree with our interpretation of benefits to consumers of implementing WACM 2, including revised impact assessment modelling?

Yes

Question 2: Do you agree that the revised impact assessment modelling captures concerns raised during August 2013 consultation about the NGET modelling?

Yes

Question 3: Do you agree with our minded-to position in light of new evidence discussed below and the responses to the consultation set out in Appendix 2?

Yes

Question 4: Do you agree with our minded-to position to implement in April 2016?

Yes. While we are disappointed that the minded to implementation dates have repeatedly slipped, we recognise that the industry requires time to adapt to any proposed changes in the GB transmission charging methodology. Given that WACM2 represents a move away from the status quo and the need for any change to be robust and less open to successful challenge, we agree that an April 2016 implementation date is a necessarily delayed implementation date.

In addition to the specific consultation questions, we would like to draw the Regulator's attention to the role it has to play in providing early certainty to the transmission charges being faced by generators wishing to connect projects in the Scottish islands.

In Nov 2012 UK and Scottish Governments formed an island renewables steering group on which Ofgem has participated as an observer. The work of the group has led to evidenced recognition of the benefits of connecting the islands in terms of accessing cost effective low carbon generation and industry development. This has been reflected in UK energy policy with island wind being awarded a higher strike price and further conclusions from the Xero Grid Access Study being considered by steering group members. We would welcome the continued active participation of Ofgem in developing some of the regulatory solutions required to complement UK energy policy in securing transmission connections to Shetland, Orkney and the Western Isles.

Yours sincerely

Gavin MacKay

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