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Dear Stuart,

RenewableUK consultation response
Initial Project Assessment for the NSN Interconnector

Summary

RenewableUK welcomes the opportunity to comment on the initial assessment of the proposed NSN interconnector. The renewables industry is in principle supportive of interconnection as a means of facilitating the integration of renewable energy technologies. However, in this instance, we cannot see a full demonstration that this project will be of maximum benefit to UK plc, and we would like to see further comparative analysis.

Introduction

RenewableUK is the trade and professional body for the UK wind and marine renewables industries. Formed in 1978, and with some 600 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.

The renewables industry is supportive of interconnection as a means of facilitating the integration of renewable energy technologies, and in particular the following associated benefits it can bring:

- Balancing wind output: as a variable technology, wind output will not always correlate with demand. Interconnectors therefore allow excess capacity to be sold when system or energy limits would otherwise require this output to be managed in some way.
- Reducing price volatility: this capacity to export could help reduce wholesale price depression associated with high wind output, which would benefit generators supported by the Renewables Obligation and Feed-in-Tariff schemes and reduce the need for further (consumer-funded) support for renewable generation.
- Security of supply: interconnectors could provide low cost security of supply, both in capacity terms and shorter-term ancillary service provision. Affordable solutions to these issues could reduce balancing costs for GB generators, as well as consumers.

Our understanding of the analysis supporting the consultation leaves ambiguous whether the first two of these aims will be facilitated by the NSN interconnector. This is a brief response and, rather than answering specific questions, we set out our more general concerns.

Analysis

The flow analyses provided by Poyry and National Grid (NG) respectively are difficult to compare. The former seems to suggest that the NSN is expected to be overwhelmingly importing in 2030, while the latter suggests more dynamic two-way flows. Therefore, in the NG analysis, we see a benefit to GB wind from balancing. We see this less in the Poyry analysis, though we note that the Poyry modelling implies greater of security of supply benefit.

We note that Scotland currently suffers from limits to export capacity, which necessitates the curtailment of wind and associated constraint costs – an issue we know exercises Ofgem also. The NSN would connect in just south of the Scotland-England border, along one of the main transmission routes south. The NG analysis provided does not appear to clarify which wider GB onshore reinforcements are assumed to have been brought on alongside the interconnector. – Additional boundary capacity is made available by NSN, but the baseline network in 2020 is not made clear. It is not therefore clear whether there is risk that NSN could exacerbate these constraints when the interconnector is importing into GB.

We note and recognise the benefit to GB consumers of the reduced wholesale prices promised by the NSN project. This is a feature of interconnection with markets with lower prevailing wholesale prices. However, if these impacts materialise in the day ahead market, this could depress the ‘reference price’ for generators supported under the Contracts for Difference (CfD) mechanism. This in turn will impact on the required draw from the Levy Control Framework (LCF). In other words, either we would either need more support than is available and make slower progress with the

renewables and decarbonisation agendas; or consumers would be asked to pay for more support, albeit probably a relatively small amount, to keep us on track.

We would be interested to know if any analysis of this possible effect has been undertaken and shared with DECC, with whom responsibility for LCF budgeting rests. RenewableUK believes Ofgem's decisions on strategic issues such as interconnection should take into account interaction with Government policy, the overall impact on the consumer, and long-term Government energy goals.

Conclusion

RenewableUK would like to reiterate our support for interconnection in principle. We are also keen on efficient and timely decision making, and would not wish projects to be unduly held up through endless analysis. However, we believe there is value in conducting further analysis before reaching a final conclusion.

If you have any queries regarding the above, please do not hesitate to get in touch. We would be happy and keen to discuss the decision making criteria and interactions with you if you would find this helpful.

Yours sincerely,

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Head of Grid