Consultation on a potential RIIO-T1 and GD1 mid-period review

Response by RenewableUK

Introduction
RenewableUK is the leading trade association in the area of renewable electricity, with over 500 members across the value chain of the wind, wave and tidal energy industries. Our generator members depend on the service that the transmission network owners provide, and trust that they do so cost-effectively so that network charges are not excessive. We therefore have a keen interest in the regulation of these companies and consequently in the potential mid-period review for the first RIIO settlements.

In the areas of most concern to us, we do not believe that the case has been made for such a review to be carried out. While there have been changes to Government policy regarding some support regimes for renewable technologies, there is still an overall commitment to meet Carbon Budgets in a cost effective manner, and we believe this means a continued and growing role for renewables in the electricity mix. The extent of this role may become clearer over the course of 2016 as Government sets out its policy to meet the 4th and 5th Carbon Budgets, but it is not currently possible to say definitively that there is a change in Government policy sufficient to justify opening a mid-period review. Most of the other relevant proposals around electricity transmission are regarding changes to guidance or licences, and so are not sufficient to justify a review. A review may be justified for other reasons, but this should exclude the areas we address below.

Strategic Wider Works
The Strategic Wider Works (SWW) process is very important to RenewableUK's members, as many renewable projects are dependent on the timely completion of reinforcement works that must be approved by Ofgem through this procedure. However, this process can be opaque to developers, whose project plans can be frustrated by refusal or delay of approval. There is a clear necessity for the needs case to be robust, with a full accounting of all the costs and benefits, which could be improved with additional transparency. We call on Ofgem to bring forward changes to the process which allow for greater clarity to, and input from, all interested parties.

RenewableUK does not have any objection to the Transmission Owners being obliged to submit proposals for SWW that are the most economic and efficient. The only caveat we would apply is that such a requirement must not result in delay to the process, which is already lengthy. Since this proposal is not in scope of the mid-period review, this can be introduced whether a review takes place or not.

With regards to monitoring needs cases of projects in construction, we agree that it is not logical to continue construction of assets when the need for them falls away. That said, it is important that any such monitoring must not lead to undue uncertainty for projects whose connections depend on the SWW being monitored, or otherwise introduce unnecessary barriers to progress. Clear guidance will help ensure that as long as generation projects are progressing, the required SWW will progress also.

Availability of Scottish Island Links
We welcome the proposal to introduce an availability incentive for single-circuit reinforcements such as the Scottish Island Links. This would reduce the risks for developers whose projects would depend on the service provided by that infrastructure. It is important that any such proposals can be introduced in such a way that there is no unnecessary delay to the construction of these links. We would also question whether this proposal requires the re-opening of the RIIO settlement through a mid-period review – in and of itself, it would not appear to justify such a process.

Revenue Drivers
We believe that the case is not yet clear that the policy of the new Government will result in material changes to RIIO outputs.

First we would caution against the use of misleading statistics. We think the characterisation of the issue set out in para 2.50 of the consultation is misleading, since we are not clear where the figure of 33GW for new generation in England and Wales over the RIIO-T1 period comes from (it does not appear in the Electricity Ten Year Statement linked to) and also the reduction to 11GW refers to connections for all technologies, where for example the delay in commissioning the Hinkley Point C nuclear project until later in the 2020s will have a material impact.

The main point is that, while there have been a number of high profile changes to particular renewable support mechanisms, the Government is still committed to the Carbon Budget regime under the Climate Change Act 2008. The advice that Government has received from the Committee on Climate Change (CCC) indicates that to meet the 4th and 5th Carbon Budgets, the power sector will need to be largely decarbonised by 2030. Low-cost options like onshore wind will be required if that decarbonisation is to be achieved at least cost: the CCC includes c.20GW of this technology in its power sector scenarios. Offshore wind has also been given an indication from Government that 10GW of additional capacity over the 2020s may be delivered if certain cost reduction objectives are met.

It is thus unwise to assume that changes to the <u>current</u> support regimes will result in a materially different demand from renewable developers for connection. DECC has indicated that it will be bringing forward new plans and policies to meet the 4th and 5th Carbon Budgets over the course of 2016, and these may well result in policy that allows continued renewable development, for instance by allocating CfD contracts on a technology-neutral basis that will, on the basis of current evidence on costs, result in continued deployment of onshore wind, particularly in Scotland. There is also the possibility that some projects will go ahead on a fully merchant basis, supported by Power Purchase Agreements with customers with larger demand, though there may not be a large volume of such developments.

We therefore conclude that it would be premature to determine that the current policy uncertainty will lead to a material change in the outputs required of the Electricity Transmission companies. Where there is uncertainty, this mostly applies to onshore wind, and the majority of development of this technology is in Scotland; here the SWW process should be sufficient to capture variation in volume and timing of generation development, and so we do not believe there is a need to change the current arrangements.

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