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16<sup>th</sup> October 2009

Dear Sir / Madam,

### **Informal consultation on potential enhanced transmission owner incentives**

The Renewable Energy Association, having been fully engaged with the Ofgem consultations on providing enhanced investment incentives, is pleased to comment briefly on this consultation. As you are aware our members work on all types of renewable power and heat projects. We are confining our comments to the issue of providing incentives for earlier connection and deal with the specific questions that you have asked on that below.

#### **3/1 Do you believe there is a role for incentivising accelerated completion of local works and therefore the connection of new generation in England & Wales? Do you believe there is a requirement for such a role in Scotland?**

We think that there is scope for incentivising the earlier provision of local connections in England and Wales but if we have followed the explanation of how the TO price controls in Scotland, we agree that it is probably unnecessary there as the Scottish TOs would be rewarded for a faster / higher efficient capital expenditure to finance local connections.

#### **3/2 Do you believe that the potential enhancement outlined which balances National Grid's current price control incentives in respect of timescales is an appropriate model, or are there others that should be considered? Given the incentive properties that are provided by the current price control arrangements in Scotland, do you believe it would be possible to further align these arrangements with customers' potential desires for timely connections?**

As explained below we remain unconvinced that the proposal remains the right answer for England and Wales in the short term. We think that over the remaining period of the current price control the arrangements for the Scottish Transmission Owners have the potential to work and we therefore think that not

only should they therefore be maintained (at least for the next two years) for Scotland, but that that a similar arrangements for England and Wales may be the best patch in the short term.

**3/3 Do you believe the potential incentive correctly balances the risk and reward/penalty for National Grid?**

The difficulty that we see with the proposals for England and Wales is that for some projects the UCA uplift amount may be insufficient to compensate for the extra expenditure necessary to achieve an earlier local connection whilst for others there may be little or no extra cost involved and it would therefore be overgenerous.

**3/4 If you presently have future transmission connection interests, in principle, could you be seeking a grid connection date which is less than 4 years from signing the connection offer?**

Some of our members have told us that they have projects that could be able to reach operation in a timescale that could be as short as two years from the time when they are in a position to commit to a connection.

Please let me know if you would like to discuss any of these comments further.

Many thanks,

Gaynor Hartnell

Director of Policy, REA.