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Dear Richard,

**Response to the National Grid consultation on GB Transmission Charging – Final Methodologies Consultation**

Scotrenewables Ltd is a small company based in Orkney specialising in small wind farm developments and tidal energy R&D. We would as that you consider the following points regarding the above.

Of the two scenarios outlined in the consultation document, Scotrenewables Ltd believes that Scenario A is preferable to Scenario B and that Scenario A better meets the relevant objectives.

However, Scotrenewables Ltd believe that the GB Use of System charging methodology should incorporate the following features:

- A single expansion factor;
- A non-locational security factor;
- A wider tolerance band to be used in the setting of zonal boundaries; and
- A G/D split of charges of 0/100

While we recognise that NGC's responsibility is to come up with a workable charging methodology, we feel that it is worth highlighting the potential impact of such charges on renewables and the emerging market in Scotland.

If Scenario B is selected, we calculate that Scottish based generation – while making up only 9% of GB generation will pay 73% of GB charges. Scenario B therefore represents a significant burden the renewables industry in Scotland. While resource levels may be higher, and the ROC market buoyant, we would contend that such increased charging will damage projects, lessen the likelihood of GB renewables targets being met, and undermine confidence in projects from financial institutions.

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Furthermore, the current methodologies under consultation only consider generation in mainland GB and Scotland.

There is significant interest in communities such as the Western Isles, Orkney and Shetland, in developing major wind, wave and tidal energy projects. While necessary upgrades will be needed to realise this potential, we risk jeopardising such projects before they can begin with the proposed charges. It has been calculated that proposed charges would be as high as £70/kW if applied to generation on Scotland's islands.

Such high charges would frustrate any generation, effectively ending the need for the transmission upgrades currently in discussion. In Ofgem's August 2004 consultation on "Transmission Investment for Renewable Generation" Ofgem conclude that the case for upgrades to Shetland, Orkney and Western Isles has not yet been proven but "depends on the economics of wind generation on the Scottish islands." (p.27)

Transmission charges of up to £70/kW would undoubtedly affect the economics of planned projects, and would therefore negate the need for upgrades. The above statement, in conjunction with high transmission charges, would therefore seem to be a self-fulfilling prophesy.

It is clear that proposed charges for renewable generators will be substantially higher than current charges. Perhaps at this point we should return to our opening statement on the principles of BETTA. BETTA will "Mean that renewable and other generators, particularly in Scotland, will benefit from access to a wider British market".

It is worth recalling that under the existing arrangement renewables generators tend to sell into the Scottish market, because they seek to avoid high interconnector charges. At present therefore, renewables operators are faced with increasing charges, meaning for Scottish renewable operators, if not for conventional generation, BETTA will lead to higher costs for the renewables sector in Scotland. We therefore see the access to a wider market as a reform that is coming at an unacceptably high cost. We would therefore see such charges, as being against the overall objectives of BETTA.

Yours Sincerely

Barry Johnston  
Director

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