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Friday 21st January 2005

Dear Richard,

**BWEA Response: GB Transmission Charging: Use of System Charging
Methodology Revised Proposals Consultation**

BWEA welcomes the opportunity to respond to this consultation on GB transmission charges. This response has been prepared in collaboration with Scottish Renewables. This response has been prepared on behalf of the wind industry and BWEA members although individual member companies with wider interests may hold a different position on some issues.

BWEA was established in 1978 and is the representative body for companies active in the UK wind energy market. Its membership has grown rapidly in recent years and now consists of over 330 companies including all grid-connected wind energy and every company with a lease to develop offshore.

Wind energy is widely recognized as an abundant energy resource indigenous to the UK. Most commentators accept that wind is likely to represent at the very least half of the Government's '10% by 2010' target because of the maturity and low cost of wind powered generation relative to other forms of renewable electricity generation technologies. Continued growth of installed wind energy generation capacity beyond this 10% 2010 baseline is almost guaranteed.

Summary

BWEA has participated in the consultation process leading to these revised proposals for a Use of System Charging methodology. We have attended meetings of the Transmission



Charging Methodology Forum and provided responses to consultation papers issued by NGC and Ofgem. BWEA views remain as set out in our previous responses.

BWEA continues to 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**

The current consultation focuses on 4 specific aspects of the methodologies namely:

- Negative demand tariffs, and the Generation/Demand revenue split
- The simplified approach to calculating expansion constants
- The simplified approach to calculating lower voltage expansion factors
- The treatment of circuits with spare capacity

This BWEA response concentrates on the first of these topics. However this should not be taken as support for the other aspects being consulted upon nor for the remaining measures contained within the proposed methodology.

In particular, BWEA continues to believe that the charges that would apply under the proposed methodology are not cost reflective and that the locational differentials in charges are too large.

Negative Demand Tariffs

BWEA notes with some concern, Ofgem's view that negative demand charges are not necessarily a problem. BWEA continues to believe that whilst the transmission charging methodology continues to incorporate triad charging arrangements and continues to apply to demands with non half hourly metering, negative demand charges are inappropriate.

We believe that NGC shares this view since your latest proposal provides an artificial constraint to prevent negative demand charges. However, we believe that your previous proposal to avoid negative charges by amending the G/D split is a more appropriate step.

The Generation /Demand Split of revenues

BWEA continues to believe that the G/D split should be amended to a 0/100 position. This would be in line with European development of transmission charging and would at the same time address the potential distortion of negative demand charges.

We note the views ascribed to NGC and Ofgem in this consultation that notes that the costs to end consumers would be unaffected by the level of the G/D split, since changes to generation charges will be reflected in adjustments to wholesale prices. BWEA supports this view. As a result we believe that the G/D split should be set to a level that has some theoretical justification.

Both the current 27/73 split and the previously proposed split of 10/90 are essentially arbitrary. On the other hand, a split of 0/100 would be in line with European development, would avoid the potential for negative demand charges and would also be beneficial to generation, such as renewable, which have lower load factors than the national average for generation.

If you have any questions please feel free to contact me at any time.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Ford', with a long, sweeping horizontal stroke extending to the right.

Richard Ford
Head of Grid and Technical Affairs
British Wind Energy Association