

DEPARTMENT OF DEVELOPMENT SERVICES

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OUR REF: jb/en

YOUR REF:

17 September 2004

Richard Lavender
National Grid Transco
UK Transmission
NGT House
Warwick Technology Park
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Warwick
OV34 6DA

Dear Mr Lavender,

GB Transmission Charging: Final Methodologies Statement

Thankyou for the opportunity to respond to this consultation paper.

As part of its economic development role, Orkney Islands Council has been supporting the development of a renewables industry in Orkney. The islands have a very significant resource in terms of wind, wave and tide, and indeed Orkney has played a leading role in wind power trials and experiments stretching right back to the middle of the last century. Now Orkney is hosting the European Marine Energy Centre in Stromness, which is set to be the cornerstone of marine renewables development in future years.

The Council is one of the funding partners for EMEC, contributing £250,000 to the development of wave testing facilities. It is now in the process of confirming a grant of £500,000 to the development of tidal testing facilities. The Council is looking at other ways of helping the community to participate in, and benefit from, development of the industry. In order to develop, Orkney must get a new connection to the national grid, and in order to do this in the near future, there will need to be a solid base of on-shore wind turbines to justify the new capacity.

The indicative charges resulting from the Charging proposals, based on the cost reflective principle, threaten to make it commercially unattractive for developers of new renewables capacity to bring forward projects in Orkney. This is clearly a matter of considerable concern to the Council.

It cannot be right that the methodology produces charges which make the islands a no-go area for renewables, when development of renewables in the islands, and especially development into marine renewables, is so important for the country. The Council accepts that this is primarily a matter on which the Government should take a view. However, the application of the cost reflective principle itself does not seem suited to the islands situation, where a new spur is required

for the grid. The formula focuses unduly on short-term cost, when the development of the industry, and especially the move into newer and unproven technologies such as wave and tide, is of a long term nature.

It is important that there should be security of electricity supplies through diversity of renewable sources. There are potential costs associated with undue focus on one particular source, i.e. the proven technology of on-shore wind. The cost reflective principle should not be so narrowly focused as to remove entirely the incentive to the development of other technologies, especially marine renewables, and the islands are the most important part of the UK for the development of this sector.

The Council will be asking the Government to consider these issues. But it does not believe that it is right for the cost-reflective principle to take so narrow a view of costs. It requests that NGT give further and more considered thought to the application of the charging principle in the islands, to ensure that it takes account of the particular situation and the potential of the islands for renewables development.

Yours sincerely,

Jeremy Baster,
Director