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Consultation GB-ECM 09 for charging arrangements associated with SQSS design variations based on customer requests

West Coast Energy Ltd welcomes the opportunity to comment on the National Grid Consultation Document on the charging arrangements associated with SQSS design variations based on customer requests. West Coast Energy have acted as consultants to a number of major windfarm projects throughout Great Britain and have obtained consent for over 400MW of projects with a further 1000MW either going through planning or with a planning application being prepared. We have also been active participants in various electricity industry fora including the Transmission Arrangements for Distributed Generation (TADG), Transmission Access Standing Group (TASG) and in the Active Networks project team of the Distribution Working Group (DWG).

This consultation follows on from a previous one in 2006 which was vetoed by OFGEM on the grounds that while it agreed with the idea that that consultation put forward of giving generators a reduction in Transmission Network Use of System (TNUOS) to generators with a single circuit connection rather than the more conventional double circuit secure connection it thought the reduction offered was too low in that ' the Authority was concerned that the original proposals did not sufficiently reflect the capital costs saved and would consequently not provide the correct signals to the generators' (NGC Consultation page 4) . It seems therefore perverse for the new revised Consultation to propose an even smaller reduction in TNUOS charges and the implication is that OFGEM will veto the proposal again. The consultation we feel is based on some fundamental errors on the part of National Grid:-

There is a claim made that 'the implementation of a project specific or generic discount may interact with a user's decision regarding siting of a power station' (Page 7). We are not aware of any situation where the developers of a renewable energy project have made a choice about where to site their project to take advantage of lower electrical charges



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(connection or TNUOS). The siting of renewable energy projects and particularly wind energy projects is dictated primarily by the availability of the land and wind resource and being in the vicinity of any suitable electricity infrastructure is a bonus. Developers have very rarely a choice as to which part of the infrastructure to use, as by and large they are dealing with remote areas where electrical infrastructure is not common.

The Consultation also only talks about customers making connection decisions going forward; it fails to deal with the many projects already constructed, being constructed, having planning consent or having made a planning submission. In these cases the siting decisions have already been made but it makes it no less important that these projects be eligible for discounts because of not fully secure connections.

The discounts for non-secure components have two recognised components, a substation discount and a circuit discount.

Substation Discount

The new consultation proposes three options.

- 1) A site specific discount on a project by project by project basis, but which would not be transparent as the level of discount would not be known beforehand.
- 2) A generic discount based on average costs which would be known ex-ante but which would be based on average costs.
- 3) Do away completely with the substation discount.

The latter appears to be National Grid's favoured option largely on the basis that the others could lead in certain situations to the discount affecting a users decision regarding substation siting. The case is offered that a £3.12/kW discount is equivalent to moving a 132kv substation 113km away. As has been stated above, renewable energy project developers rarely if ever have the luxury of moving substations and never by 113km.

West Coast Energy Ltd is of the opinion that, as stated by National Grid in the consultation itself (page 7) :

A project specific discount would provide an economic signal that precisely reflects the cost savings associated with all design variation generation connections, which should lead users to reach the economic and efficient decision.

Circuit Asset Discount

Again National Grid has considered three options for a discount:-

- 1) A site specific discount, as above for the substation discount.
- 2) A discount based on a nodal specific security factor. The current GB Locational security factor is an average and any nodal specific security would entail use of the seculf programme etc.
- 3) Use of a generic formula as above.

Again National Grid admits:-

As with the project specific substation discount, a project specific circuit discount would provide an economic signal that precisely reflects the cost savings associated with all design variation generation connections, which should lead users (in isolation) to reach the economic and efficient decision.

The point made in the consultation that Project specific discounts lack transparency because they are unknown prior to making a connection offer application is spurious because of a wider issue we brought up above. To reiterate the consultation is couched in terms of developers/users making a choice of connection security for new projects going forward from the date of the consultation. Although the issue of existing projects is not addressed in the consultation, it was specifically raised at a recent Charging Issues Standing Group meeting, where it was categorically stated that any discounts will be applicable to eligible projects either already built, being built or having received connection offers including the 10GW Transmission Access Queue in Scotland. Therefore for the bulk of the projects likely to be eligible for a single circuit discount it is already too late for pre-connection offer consultation and a site specific discount is entirely appropriate.

Pre-BETTA Connection Offers

The consultation neglects some of the background to the issue of less secure connections. In Scotland in particular, prior to BETTA transmission connection offers were based on deep connection charges and power station project developers had a direct incentive to opt for less secure connections in the knowledge and expectation that the costs associated with the connection would be reduced because of reduced substation assets and single circuit rather than double circuits between the power stations and the MITS. With BETTA, the National Grid 'Plugs' shallow charging model became the standard model for transmission connections which together with the security standards set by the GB SQSS gave developers an incentive to move to SQSS secure connections because the costs associated with that move would not be borne directly by the project. Once we realised this, West Coast Energy Ltd and one of its client companies, Falck Renewables, made repeated representations to National Grid for the connections for some projects due for construction, namely Millennium and Kilbraur windfarms, to be upgraded to a fully secure standard. These requests were refused. We were then left in the invidious position of having lower security connections (not based on current customer requests) but having to pay full TNUOS charges, the same as if they had fully secure connections. If an appropriate discount cannot be given to projects with less than SQSS compliant connections then perhaps we should explore modification applications to upgrade these connections which if accepted will lead to more transmission system investment, disruption and an overall less economic transmission system.

In summary

West Coast Energy Ltd is strongly in favour of Transmission Network Use of System discounts based on substation and circuit assets and feels that these should be on a site specific basis which as the National Grid consultation recognises 'would provide an economic signal that precisely reflects the cost savings associated with all design variation generation connections, (and) which should lead users to reach economic and efficient decision(s) .

If you wish to discuss any aspect of this submission please do not hesitate to contact me.

Kind regards

A handwritten signature in blue ink that reads "David Walker".

(Dr) David Walker
Head of Grid & Regulatory Affairs