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Dear Mr. Lavender,

GB TRANSMISSION CHARGING: FINAL METHODOLOGIES CONSULTATION

Thank you for the opportunity to respond to the above consultation.

The Western Isles plays host to a sizeable potential for wind and wave - based renewable energy technologies on both land and sea. Comhairle nan Eilean Siar took the initiative in 2001 to set out a vision of the Western Isles as an Energy Innovation Zone and is aiming at the realisation of an integrated investment strategy. This strategy has been developed closely with our Community Planning Partners and includes the establishment of the Western Isles Alternative and Renewable Energy Partnership (WIAREP) to promote renewable and sustainable energy issues in the Western Isles and the partnership framework Creating Communities of the Future, where renewable energy is recognised as one of the key drivers.

The Comhairle is in broad agreement with the Scottish Executive's commitment that 18% of electricity generated in Scotland from renewable sources by 2010 and the aspirational target of 40% by 2020. Clearly the Comhairle would see the Western Isles as being in a position to make a significant contribution to the achievement of both the Scottish and UK targets for renewable energy. In turn, we would see that there are major opportunities for the economy of the Western Isles from the development of our renewable potential. Conversely, if the Scottish and UK targets on renewables are not achieved, there would be a significant negative impact on the prospects for the economy of the Western Isles.

It is readily apparent that major renewable developments, irrespective of sector, will not take place within, or around the Western Isles, unless there is significant investment both in the grid connections between the Western Isles and the mainland and to the mainland grid itself. Whilst accepting that these are major infrastructure projects with large attendant costs, the Comhairle is concerned that unless the decision making processes, both in terms of finance and "planning issues", are accelerated and are generally positive there is a real danger that the commitments to the 2010 and 2020 targets will not be achieved. In addition there is the likelihood that the potential opportunity for the economy of the Western Isles will be severely curtailed, if not lost. The Comhairle would wish to see strong governmental support at both Scottish and UK levels for early resolution of grid connection issues to allow the uptake of renewable energy in Scotland and in the Western Isles in particular. This would include an appropriate and equitable transmission charging regime.

The section of the consultation (4.2.10) dealing with renewables in the Highlands and Islands is noted. However we are disappointed that the opportunity has not been taken to facilitate the achievement of the Government's targets via the recommendation of a transmission charging regime which would assist the development of the potential of renewables in those areas with the greatest resource, namely the Highlands and Islands of Scotland. On the contrary there is a danger that the charging regime being proposed will in fact benefit generators in England rather than in Scotland. For example, the Scottish Renewables Forum has calculated that under Scenario B Scottish-based generation, while making up 9% of GB generation would pay 73% of GB charges. This is likely to have a serious negative impact on the emerging Scottish renewables industry.

Turning to the islands themselves the consultation document is silent on generation on the islands, being effectively self-restricted to consideration of mainland GB. Apart from the fact that the document ignores the current situation in that both the Western Isles and Orkney already have cable connections to the mainland, this omission does nothing to counter uncertainty and consequent lack of confidence for island developers and investors, despite the undoubted wealth of resource. The same comment can be made in respect of offshore wind and marine proposals.

Furthermore, our view is that the proposed methodologies would be even less relevant to the Western Isles and other Scottish Islands than to mainland Scotland, where there are concerns about extending the England and Wales model. This is due to some intrinsic differences between the two systems, notably in the treatment of generation spurs and the connection boundary. Thus it is of particular concern to the islands that the NGT model is not designed or optimised for radial circuits. In our view further work and clarification is needed urgently.

With respect to the islands what is required in our view is a revised methodology for transmission charging across GB which would not result in prohibitive levels of charging in the North of Scotland and where charges to the islands were pegged to North of Scotland levels. The current figure of around £11/Kw for new generators in the North of Scotland would provide a useful benchmark and it is evident that while such a methodology would have a minor impact on the rest of GB it would have a significant and long term benefit to the economy of Highlands and Islands. This would in our view be more within the spirit of BETTA than the more cost-reflective methodology which is the preferred option.

I would be happy to discuss these comments with you.

Yours sincerely,

Derek McKim
Head of Strategy (External)

CC DTI
Ofgem