

Sent: 30 January 2004 14:59

To: Easterbrook, Stuart

Subject: Response to NGT Consultation on GB Transmission Charging

Dear Stuart,

Response to NGT Consultation on GB Transmission Charging

GreenPower is an independent developer of wind and hydro projects with specific focus of activity in Scotland. We are currently developing over 400MW of wind power projects from 1.5MW to 216MW in size and with around 12MW of small scale hydro projects under development.

Firstly I would like to commend the detailed response given to you by the Scottish Renewables Forum, of which we are a long time member. However, there are certain points that I would like to draw to your attention from our own perspective.

1. The pricing differentials between the various areas proposed are, we believe, of such significance that we would now be unable to justify project development on projects in the SSE area. This would affect up to 312MW of our current portfolio.
2. We have a 40MW wind farm proposal close to the border between the SSE and SP regions and have the ability to connect to a single transmission line that changes ownership at an arbitrary point (it has no relevance to energy flows or asset requirements). On the current basis, simply moving our point of connection one pylon south or north could give rise to an annual TUoS payment difference of £376,400. This would affect our project valuation by approximately £3.26million. There appears to us to be no logical difference in the flow of electricity or the management of the assets to justify any difference.
3. If the aim within BETTA is to move all the transmission assets into common management by BGC, we cannot understand why there is differentiation of charging between the asset owner areas, when these do not reflect power flow constraints. For example, we have a project currently contracted for connection south of the "constrained" areas in SSE's network but are treated the same as if we were in the far north of Scotland. The concept of locational charging is therefore very crude and not reflective of true network constraints and costs.
4. SSE has a number of regional networks that experience different constraint levels. The Kintyre area, for example, has little relationship to the north of Scotland and therefore we do not understand the justification for common charging.
5. We are not fully supportive of having a postage stamp charge plus an up to 100% locational tariff as proposed by others, given that this could still give rise to significant charging imbalances.
6. We fundamentally require long term price security in project financing and therefore to avoid preventing development of projects by independent players, some security must be provided bearing in mind that we do not have the balance sheet capacity of utilities, nor their ability to influence future reviews. Long term stability is critical for small players who do not have the staff resources to monitor and influence strategic development of the grid.
7. We do not support the concept that each time a generator is connected or contracted to the system that the charging regime should change for the next connected generator. This will create a significant "race" for connections and place the system operators under severe pressure. In practice for us it would mean that we would only know the cost of our connection on receipt of a formal connection offer and would have therefore no prior ability to accurately model our financial performance.
8. The development of renewable energy is taking place as a result of government policy to promote development of clean energy sources. The natural resources for these technologies are strongest generally speaking in areas of weak demand. The UK grid system has to change over time to reflect this strategy and should not seek to maintain a grid system optimised for large scale centralised fossil generation. The cost of meeting the UK targets on renewable energy should be met largely by UK (or in the case of BETTA, by GB) electricity consumers. Ultimately it is consumers who pay for any costs of generation. We therefore believe that the costs of operating and upgrading the transmission system should be borne by demand users and not by generators and this cost should be spread across all GB consumers, which would reflect the open market nature of the Renewables Obligation which is not locational in nature.

If you require any additional information on our submission please do not hesitate to contact me.

Regards,

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