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Consultation GB-ECM 11 for charging arrangements for Generator Local Assets

Falck Renewables are pleased to offer their comments on the consultation for charging arrangements for Generator Local Assets. Falck Renewables currently own 6 operational windfarms in the UK with a total capacity of 231MW. Of these 6 windfarms one is connected at 275kV, two at 132kV and three at 33kV. We also have a number of projects which we are jointly developing with RDC in the planning process.

This consultation has specific relevance to two of our operational projects, Millennium which is connected to the 132kV network in zone 3 and Kilbraur which is connected to the 275kV network in zone 1.

We note that the consultation addresses modification of TNUoS charges for the twin issues of Security and Quality of Supply Standard (SQSS) connection design variations and the Transmission Access Review. With regard to the first of these issues we note that this consultation follows on from consultations GBECM-06 and GBECM-09. Neither of these previous consultations resulted in a change in TNUoS charging to address the issue of differential charging for different SQSS connection designs and the expectation is that this consultation would introduce a modified charging structure following the previous failed attempts.

In our response to consultation GBECM-06 we highlighted our experience with charging for our two transmission connected projects in Scotland. The background to these projects was that we sought connection offers in 2003 before PLUGS was introduced and requested single circuit connection offers from Scottish and Southern Energy because that was the most cost effective connection option. Following the introduction of PLUGS and BETTA the connection offers from SSE were withdrawn and replaced with new offers from NGC. The new offers were made on the same single circuit basis and identified costs for H1 works and Connection Asset works. The effect of the new connection offers was to significantly increase the overall cost of connection. In discussion with NGC we learnt that if the offer were amended to a firm double circuit connection then the total cost would reduce as most of the

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Connection Assets would be classified as Infrastructure works so that our annual connection charge would be much reduced while TNUoS charges would be unaffected (other than a possible small increase in the zonal TNUoS charge resulting from the additional project specific work for reinforcing the single circuit connection).

We therefore requested a change to a firm connection since it was both a lower cost and more secure option but were told that we could not change partly because we had originally requested a single circuit connection, although as mentioned above that request was made in the pre PLUGS world before the grid charging rules completely changed. We are therefore left in the position where we are paying a higher charge (TNUoS + connection charge) for a non firm connection than we would have paid for a firm connection. For this reason we have argued that there should be a significant reduction in TNUoS charges for these connections firstly to correct the anomaly that the single circuit connection is costing us more than a firm connection and secondly to introduce a discount to TNUoS charges to reflect the significantly lower cost of a single circuit connection.

We note with disappointment from the proposed new TNUoS charges included within Appendix 6 of the Consultation Document that TNUoS charges for Millennium and Kilbraur would increase under both Option A and B. The nett increase for the 2 projects would equate to an annual increase in TNUoS charges of £35k for Option A and £357k for Option B.

Our understanding is that this series of charging consultations has been prompted by the large number of new transmission connection applications for wind farms which have tended to opt for single circuit connections rather than the more usual double circuit connection used for large power stations. Looking at the proposed charges shown in Appendix 6 it is apparent that with one exception all the wind farms listed show increased TNUoS charges (7 wind farms show increased charges). As far as we are aware all these wind farms have single circuit connections. We would suggest that this simple analysis shows that the modified charging structures proposed have failed to achieve one of the key objectives of reducing charges for single circuit connections. We also note that the modified charges shown in Appendix 6 appear to generally increase charges in Scotland and reduce charges in the southern half of England and Wales which we believe is another major concern.

A related issue that this consultation has brought to light with respect to the treatment of our transmission connections is how the charging boundary is defined. In our case, with single circuit connections, the charging boundary has been drawn between the substation and the spur line from the existing network so that the substation is included as Connection Assets which are charged separately to us through Connection Charges. If the connection had been a double circuit connection then my understanding is that the substation would have been defined as Shared User Assets and the cost would have been recovered as infrastructure costs through TNUoS charges and we would have incurred a much lower Connection Charge. This is an anomaly which should be addressed as it is clearly inequitable that single circuit connections are paying Connection Charges whereas double circuit connections aren't and that in addition they have a less firm connection. This also suggests that the analysis of the TNUoS substation component in the Consultation is flawed because it

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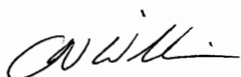
doesn't take account of the different charging boundary used in single and double circuit connections.

With regard to the 2 options proposed in the Consultation our preference is for Option A which we believe is more cost reflective. We also note that Option B results in substantially higher charges for Millennium and Kilbraur which we are opposed to. There is also a suggestion that option B will allow the introduction of partial TNUoS charges for embedded generators with a BEGA, which we would wish to oppose.

In summary we would wish to strongly oppose the introduction of the proposed modified charging structures (both option A and B). We believe that the modified charging structure fails to deliver reduced charges for new single circuit connections, particularly in Scotland where the majority of new transmission connections are being made. We suggest that the consultation needs to take account of the anomaly in the different way that the charging boundary for single and double circuit connections is drawn.

We note that this is the third consultation to try and introduce differential charging for single and double circuit connections and from our perspective this is the least satisfactory charging proposal of the three. We are concerned that this debate has now gone on for 2 years and we would urge that steps should be taken to introduce fair charging for existing single circuit connections as soon as possible and that retrospective compensation should be considered.

Yours faithfully



Charles Williams
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Falck Renewables Limited