

Dr Lewis Dale
National Grid Company plc
NGT House (Floor C3)
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Renewable Energy House
1 Aztec Row, Berners Road
London, N1 0PW, UK

T 020 7689 1960
F 020 7689 1969

Monday 7 June 2004

Dear Lewis,

BWEA Reponse: Options for Allocating GB Transmission Access Rights under BETTA

Thank you for the opportunity to respond to this consultation on access rights. Thank you also for agreeing to accept this response after the nominated closing date. This response has been put together in cooperation with the Scottish Renewables Forum.

BWEA was established in 1978 and is the representative body for companies active in the UK wind energy market. Its membership has grown rapidly in recent years and now consists of over 320 companies including all grid-connected wind energy and every company with a lease to develop offshore.

Wind energy is widely recognized as an abundant energy resource indigenous to the UK. Most commentators accept that wind is likely to represent at the very least half of the Government's '10% by 2010' target because of the maturity and low cost of wind powered generation relative to other forms of renewable electricity generation technologies. Continued growth of installed wind energy generation capacity beyond this 10% 2010 baseline is almost guaranteed.

Consultation timescale

BWEA notes that the provision of access to the transmission system is an issue that should be addressed as a priority. Users and potential users of the transmission system should be involved in this. We would welcome the opportunity to participate in such a debate.

We believe that the time allowed (only 9 working days) for response to this consultation is insufficient for us or our members to consider each of the options in sufficient detail.



This does not comply with best practice for consultations and we feel it is unlikely that users will be able to provide fully informed responses.

Invest and Use

BWEA notes that the four options provided in the consultation invoke the principle of "invest and use". Irrespective of whether this may have been a feature of previous consideration of applications for use of the transmission system, BWEA does not believe it is an appropriate approach to be adopted during the implementation of BETTA or as an enduring solution. There are a number of reasons for this.

This approach does not provide robust economic signals for the development of the transmission system in response to the needs of transmission users nor does it allow for innovative thinking in accommodating generation and demand on the system. A particular disadvantage of this approach is that it encourages transmission investment only after sufficient applications for access have been made and permits access only after investment is complete. Given that the timescales from concept to completion are many times greater for transmission than for new generation this is not facilitating competition in generation.

The other, related, issue with this approach is that new connections are only accepted when there is sufficient system capacity to provide firm access under all circumstances. BWEA believes that this has led to some confusion between the concepts of connection and access. Put simply, in most cases connection to the system is relatively straightforward. The access question is whether there is sufficient capacity in the system to allow a generator to utilise this connection to the full whilst also accommodating the remaining generation and demand.

The current approach denies connection to new generators where there is a concern over access. BWEA believes that it is possible to allow more effective use of all generation on the system (existing and new) and therefore to make more efficient use of the transmission system. This point is explored in a little more detail below.

Actions of third parties

BWEA believes that recent developments in NGC's charging methodologies have consistently supported the principle that the charges faced by an individual user should not be unduly affected by the actions of third parties. At times when demand for use of the transmission system is greatest, all of the 4 options identified in this consultation result in volatility of charges caused by the arrival/departure of generation and demand as well as by the decisions relating to investment (or lack of investment) by the transmission company.

Since transmission charges will not apply to smaller generators connected to distribution systems, BWEA considers that all 4 options identified below may act to encourage new generators in Scotland to apply for connection to distribution networks rather than the transmission network. The resulting reduction in net demand in Scotland would have an equivalent effect on the transmission system that these consultation proposals were designed to address.

Option One

BWEA does not support this option as currently presented. There is not enough detail set out to be able to provide an informed response. For example, there are many different designs of auction process, but no discussion here as to which form might be

considered. It is also not clear how auction payments might interact with TNUoS charges. If the auctions were to be undertaken only in selected areas, then there would be discrimination between those users paying cost reflective charges and those paying value based auction prices. There would be further discrimination between those users allocated rights under this process and future users who would have to wait for system reinforcement. BWEA agrees that this approach would be complex.

Option Two

BWEA believes that this is a better approach than option 1. However it retains the discrimination between users granted access rights by the nominal date and future users who would be treated differently.

BWEA notes and supports the suggestion that the risk of constraint/congestion costs may be alleviated if innovative congestion/constraint management services are developed. This is a key feature of our suggested approach set out below.

Option Three

BWEA does not support this approach as it is clearly more restrictive than Option 2. Whilst it retains the discrimination between users granted access rights by the nominal date and future users it further discriminates against those users who have been granted access rights for future dates.

If Option Three was settled upon by NGC, it would only be workable if a more neutral date was chosen, that does not potentially remove rights from generators already in the system and the queue. For example, more equitable dates might be the 21st May 2004 when this consultation was issued and the option first presented or the BETTA implementation date.

Option Four

BWEA notes the suggestion that this Option seeks to find the middle ground between Options 2 and 3. It is clearly important that arrangements be developed that allow efficient use of the transmission system.

Potential users should not be "frozen out" by those users with access rights during periods when those rights are not being exercised. However, BWEA does not agree that the answer lies in allocating less firm rights to generators. Instead the answer is to allocate firm access rights and for the system operator to develop as commercial services suitable measures to alleviate those instances where the transmission system would otherwise be overloaded.

However, we are of the view that further detail is needed on Option Four. In particular generators need clarity on application of firm and non-firm rights. Non-firm rights are not bankable – i.e. projects cannot be built – unless such rights are clarified. There should be a clear understanding of how long before non-firm rights become firm rights and the extent of the "non-firmness" (sic).

In this context, we agree that there is a role for those measures suggested (reductions in output, congestion management services, system to generator intertripping schemes). These should be negotiated with all generators (both existing and new) and, where appropriate, with demand. In every case, it not appropriate for these measures to be introduced without recompense. A little more detail on how we believe a robust approach can be implemented is set out below.

An Alternative approach

It is our view that this problem could be best solved by looking at the problem from a different angle. At the current time, there are a greater number of connection applications than there is connection space on the transmission grid. Work is underway to provide more grid access through grid upgrades in Scotland. However, even with this, shortage of connection is likely to remain a fact of life within Scotland for some time now.

It is worth noting that movement to a shallow connection policy, while being welcome for removing discrimination of charging, removes incentives on generators to seek to connect where grid is present, as the onus is on the System Operator (which will be NGC from April 2005) to provide a connection. It is not our view that cost reflective signals will be able to send behavioural signals here, because in renewables, site locations are still mainly guided by where the resource (be it wind, wave, tidal, hydro or biomass) is located.

The net result of this is that lack of access to the grid is likely to be the major constraining factor in development of new renewables projects, and achievement of Scottish and GB targets. These constraining factors lead to financial instability and increasing risk for generators. This will have the net result of increasing project cost, and thus cost to the consumer, as the price of finance goes up. The Renewables Obligation is being paid for by the consumer. It will be inequitable if such consumer payments do not lead to renewables being generated because of barriers stopping projects. Connection availability and access rights to those connections could become a major barrier if not correctly handled.

There is also concern within the generator community about how the queue for connection will be policed. While connection offers are nominally for a set time period, in practice this has traditionally not been invoked. As time passes however, there will be increasing pressure for such conditions to be invoked.

As renewables proposals are taken forward, there will develop an increasing discrepancy between those with planning consent and those with grid access. It will be impossible for the system operator to engage directly in this state of affairs in an interventionist manner. Instead, a system that apportions rights and responsibilities between generators and the system operator should be sought.

At the same time, large scale demands for connection upon NGC, as the System Operator, will make it increasingly difficult to prioritise grid connections and upgrades, and lead to increasing use of constraint payments. This leads to financial uncertainty for NGC in terms of costs of operation and likely returns of investment in grid upgrades.

The Approach Explained

It is our view that all grid applicants should be provided with a connection to the transmission system. The System Operator should undertake to provide this connection within a defined timescale (we would suggest a period of between 24 and 36 months from the connection offer).

After this time has passed, the generator should be allowed full, firm access rights. If necessary, the SO should contract with generators and or demand to manage constraints either through the Balancing Mechanism or through balancing services contracts.

Thus, if grid is not available, the SO would have to pay constraint payments to generators. However, if the generator was not able to connect, they would have to begin making TNUoS payments based on their connection agreement. If both the grid connection and the project were ready prior to the agreed date, connection should take place and generation begin. Such a system would balance rights to connection with responsibilities to help fund connection

Putting a timescale in place would also discourage generators from seeking "speculative" connection agreements at an early project stage. Instead they would be able to focus on other issues (primarily planning), and only seek connection at an appropriate time. This would have the effect of giving NGC much clearer signals about where to prioritise its work and investment. In addition it would prevent the "freezing out" of viable developments by removing the concept of a connection queue.

NGC would be better able to assess connection agreements, and prioritise upgrades. The efficiency of investment in the transmission system could be demonstrated in terms of avoided constraint costs

It would be also be able to utilise constraint payments as a means of limiting unnecessary or more costly investment in upgrades, and it would have financial certainty that grid investment would not result in stranded assets as there would be a contracted agreement that ensures a financial return on its investment.

In Conclusion

It is our view that the alternative approach outlined above would be a more equitable solution to managing grid access. The principles outlined here could be applied to the existing parties contracted for grid, provided that it was applied equitably to all.

Also, such an approach would be workable now and once BETTA is operational. Given that demand for new connections over the next 15 years is likely to come primarily from renewables it is important that the access rights system used recognises this and seeks to share responsibilities properly between the SO and generators.

Of the Four Options listed in the consultation, it is our view that Option Four has the least disadvantages, as it is non-discriminatory, whilst also offering a solution to connecting generators awaiting upgrades. However, further clarification will be needed about how firm vs. non-firm rights will work. In particular, it not appropriate for non firm measures to be introduced without recompense.

Option Two might also be considered as it is non-discriminatory in nature. Option Three could only be considered if a neutral date (rather than a retrospective date) was chosen. Option One is overly complicated and discriminatory so should be rejected.

I hope that you have found these comments useful. We would welcome being involved in work to develop the Access Rights and would be happy to discuss our thoughts further. We would note that we would have been able to provide a more considered and detailed response if more time had been given by NGC for discussion on this issue. We would ask that NGC avoids issuing consultations for such short periods, and ask it to work with Ofgem so these pieces of work include appropriate periods of consultation.

If you have any questions please feel free to contact me at any time.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Ford', with a long, sweeping horizontal stroke extending to the right.

Richard Ford
Head of Grid and Technical Affairs
British Wind Energy Association