

**House of Commons
Environmental Audit Committee**

A sustainable energy strategy? Renewables and the PIU review

Submission of the British Wind Energy Association

Preliminary Statement

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26 Spring Street
London W2 1JA
United Kingdom

Telephone
020 7402 7102
Facsimile
020 7402 7107
Email
info@bwea.com
Website
www.bwea.com

The British Wind Energy Association (BWEA), established in 1978, is the largest renewable energy trade association in the UK. It has more than 175 companies in membership, including every offshore developer and all 473.6MW of currently installed wind energy. The Association's membership has more than tripled during the past four years.

This note is substantially based on the Association's submission to the Cabinet Office' Performance and Innovation Unit. Additional supporting information, covering these points in more detail is available at www.bwea.com

Wind energy is widely expected to become the major renewable source developed under the renewables obligation. This is for a number of reasons:

1. **Price.** Wind projects can typically be developed (onshore) for between 3p and 5p/kWh. This brings most projects within the obligation price threshold.
2. **Volume.** Studies vary, but indicate domestic wind energy availability of several orders of magnitude greater than total UK demand. The UK is the windiest country in Europe. Wind is therefore attractive to 'volume' generators and suppliers.
3. **Market confidence.** More than 23,000MW of wind has now been successfully installed around the world.

The early indications of the effect of the introduction of the obligation are encouraging for the stimulation of the wind business. The obligation is not so beneficial for other, often more expensive technologies (including offshore wind, which is ameliorated to some extent by capital grants) and certainly not for those technologies specifically excluded. This tends to reinforce the likelihood that wind will be the major element installed.

196MW will be installed during 2002. This is the 'best ever' year for wind energy in the UK. A projected 1600MW of offshore wind will be installed between 2003 and 2005. A further estimated 4500MW of (onshore) wind is entering the planning process.

An approximate calculation for the volume of wind necessary to meet say, half of the target would be approximately 5000MW, to be installed over the coming nine years. This is entirely possible (German construction in 2001 was 2,659MW (i.e. 7.3MW, approximately five 1.5MW turbines every day), but would require rapid acceleration of deployment from current projections.

There are a number of major obstacles facing the development of even these modest targets. These are:

The difficulties in obtaining planning permission

Considerable progress has been made in Scotland in the successful operation of the planning system to deliver renewable energy targets. Quite the opposite has occurred in Wales. In England the industry awaits the uncertain outcome of the process begun with the regional assessments of renewable energy resources.

We do not yet understand how the resource studies will be converted in regional plans (or as previously described, 'planning targets'), or how central Government will work with regions and locally in promoting the appreciation and implementation of such plans.

The (new) electricity trading arrangements (NETA)

It is our firm view that NETA is, in its operation, unfair to wind energy, adding an unnecessary additional cost to generation. Although trading may be able to minimise the impact, particularly on larger or quasi-vertically integrated companies, there remains a risk, which adds a cost. It may be a side-effect of the implementation of NETA that smaller (and in particular, very small, so-called 'community schemes') are made unviable because of the additional costs, and therefore reduce competition in the market. We are in ongoing dialogue with the Government and with the regulator on this matter.

To quote from our formal submission to the regulator, *"...despite the emphasis on reliability and predictability, perhaps... thermal plant presently receives favourable treatment under NETA. We noted that reserves are primarily influenced by the need to cover against the loss of the largest unit on the system - normally Sizewell B. The cost of these reserves is not, however, charged to that station and we therefore find it even more incongruous that the risks associated with wind on the system - non-existent at the moment - should be so heavily penalised.*

We therefore [propose] that wind generators be exempted from exposure to the balancing market for a limited period of time - either until satisfactory and fair arrangements are made, or until the amount of wind on the system reaches the point where measurable operational penalties are incurred. This is not "special pleading" for wind, rather a reversal of the present situation where wind receives unfair treatment".

'The Grid'

Wind, like all renewables is (with only the very largest projects the exception to the rule) small-scale and dispersed, often in places with poor electricity distribution and transmission infrastructure. Access to 'the grid' is an increasingly important question as connection points are scarce and planning for connection of further, particularly large-scale (such as offshore and further larger wind projects) requires considerable attention, on which we are now making extensive representations.

Resistance to change

This occurs at all levels, from local populations wary of unfamiliar technology, to a generalised tendency to prefer the *status quo* in large institutions as diverse as MoD, NGC and OFGEM.

To help overcome this latter point, a genuinely integrated effort between Government departments, with a supporting 'awareness of need and familiarity with the technology' information programme would be a considerable boon to introducing more renewables into the system. This would be helpful whether the agenda was climate change, sustainable generation, security of supply or any similar policy agenda.

In summary, the technology is mature, the resource enormous and the price competitive, even with existing conventional generation. Achieving its potential is largely only constrained by institutional obstacles.



Nick Goodall
Chief Executive