

TALISMAN

E N E R G Y

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Mr Richard Lavender
Senior Commercial Analyst
National Grid Company plc
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Dear Richard

CONSULTATION OF GB TRANSMISSION CHARGING UNDER BETTA

Talisman Energy (UK) Limited is one of the largest oil and gas operators in the North Sea. It is the operator of the Beatrice oilfield, which is located on the UKCS in block 11/30 in the Inner Moray Firth, approximately 12 miles east of Helmsdale on the Caithness coast. For more than 3 years Talisman has been assessing the opportunity to re-use the Beatrice infrastructure as the hub for a 1GW windfarm. This culminated in August 2004 with the announcement of the precursor DOWNVInD demonstration project.

The demonstration project will cost in excess of £24 million and will install two demonstration machines in the deep waters of the Moray Firth adjacent to Beatrice as a precursor to the full-scale development. This will test the technologies required for the full-scale development and determine the viability of such a project.

It is, therefore, of major concern that the potential of this massive project – one of the largest in the UK – could be jeopardised by a proposed transmission pricing methodology (Option 'B') which is highly volatile and which would lead to extreme transmission charges for electricity generation based in Scotland. If this option is pursued, then the excessive transmission charges in Scotland would clearly have a highly negative impact on the growth of renewable generation in Scotland (and would also undermine security of supply as existing generators would, inevitably, be forced to reconsider the economics of their operations).

We are disappointed that this option should be pursued when there is another option - 'A' - which is clearly more stable from the point of view of electricity generators, while safeguarding the interests of consumers, and which is clearly capable of passing any 'fair and reasonable' test. Stability of tariffs will clearly facilitate project finance for new generators, which in turn will facilitate competition in generation. This is a fundamental objective of the tariff methodology, and indeed NGC's licence.

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Given the need to ensure that confidence in renewable energy generation in Scotland is not undermined, then it is clearly in the interests of all concerned that Option 'A' be adopted. With so many other uncertainties in the electricity sector at the present time, it makes sense that transmission charges in the new BETTA era should start off at a reasonable level. Option 'A' allows this to happen.

We look forward to learning of a positive outcome to this consultation.

Yours sincerely
TALISMAN ENERGY (UK) LIMITED



Allan MacAskill
Beatrice Windfarm Project Director

cc: *A P Blakeley*
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