

From: Priest Aaron@Development [aaron.priest@sic.shetland.gov.uk]
Sent: 17 September 2004 11:14
To: Lavender, Richard
Cc: carmichaela@parliament.uk; tavish@smtp1.ngtuk.com;
scott.msp@scottish.parliament.uk; e.hanton@hient.co.uk;
info@scottishrenewables.com; Ratter Drew@SIC; jim.foubister@orkney.gov;
akcampbell@cne-siar.gov.uk
Subject: GB Transmission Charging

NGT

GB Transmission Charging:

Final Methodologies Consultation

Thank you for the opportunity to comment. These comments are submitted on behalf of Shetland Islands Council. We also endorse the comments of Highlands and Islands Enterprise on behalf of the local members of the Highlands and Islands Transmission Working Group.

Overall, NGT (and Ofgem's) approach to charging seeks to punish generators of renewable energy in the areas of best resource, namely Scotland's island groups. Whilst you have only given the Highlands and Islands a cursory passing mention in your consultation, it is clear that the charging mechanisms are not good news for island located developers.

Punitive charges, by their nature, are discriminatory and will restrict and prevent renewable energy from Scotland's Northern and Western Isles from entering the market. The charges resulting from your proposed methodology will have a material and adverse impact on new renewables development in Scotland's islands.

The only comfort we can take from your consultation is the fact that the Government has had the foresight to retain powers in the Energy Act to cap your punitive TNUoS charges. However, no firm indication has been provided on how this mechanism will be exercised. In the absence of clarity on the operation of any capping measure, Shetland Islands Council must oppose methodology which will result in making the exploitation of Shetland's world class wind resource uneconomic.

Shetland Islands Council through Viking Energy Ltd. is in the unique position of developing a large scale wind project on behalf of the Shetland community. This is to be a 300+Mw windfarm, under community control and which will be developed in conjunction with a utility shareholder, who would also be the project's customer via a PPA. The implications of your methodologies are a TNUoS charge on a Shetland/Orkney interconnector exceeding £50 per kw. On top of this we would be faced with the prevailing north of Scotland charge. The combined charge is clearly absurd. Effective business planning is impossible if the biggest cost is not yet known and when the likely level of such a cost is patently ridiculous.

The charging methodology seeks to send locational signals which effectively discriminate against this community and drive development nearer to the point of end use ie. centres of population. The nearer these population centres you go the less efficient the wind resource is and the greater the number of back yards people wish to protect from wind turbines become. The proposed charging methodology will therefore help those who seek to damage the case for wind generation and renewables.

The wider arguments that Scotland will be funding the vast bulk of the UK's transmission charges and that such charges will act as a massive disincentive to developing renewables north of the border will, no doubt, be well articulated by others. Your methodology simply hands a well founded and handy source of ammunition to the Government's political opponents.

The Government has a very positive agenda on global warming and has intervened in the market place to encourage renewable generation. It also seeks ways to spread economic growth and wealth creation throughout the nation via devolved government and regional policy. It seems a little perverse that your methodology will prevent renewable generation in the areas of best resource and sends locational signals which reverse the logic on regional development.

Hydro benefit and the mechanisms to replace it are deemed to be incompatible with methodologies on transmission charging. Connecting islands also seems to be at odds with the wider methodologies and should, we think, be considered via a separate Government order. There are two island groups involved ie. the Northern Isles and the Western Isles. It shouldn't be difficult to provide a separate mechanism in two demonstrably unique cases.

For example, Shetland has an ageing diesel fired power station generating and distributing power at a considerable annual loss, to a local customer base. SSE will be obliged to replace this aged asset at a considerable capital cost. It would appear to make economic sense to apply such an investment towards the cost of a cable connection. Your narrow methodologies take no account of opportunity costs. We also feel that Shetland, due to its northern location, will help to balance out intermittency of wind generation in the UK as a whole.

I hope you find these views helpful.

Regards,
Aaron Priest.

Principal Development Officer
Shetland Islands Council

This email has been scanned by the MessageLabs Email Security System.

For more information please visit <http://www.messagelabs.com/email>
