



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

Tom Ireland
Electricity Charging & Access Development
National Grid Electricity Transmission plc
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Dear Mr. Ireland

Response to National Grid consultation document on Charging Arrangements for Generator Local Assets (GBECM-11)

Highlands & Islands Enterprise (HIE) welcomes the opportunity to respond to the consultation on GBECM-11, *Charging arrangements for generator local assets*. Transmission access is considered highly important by HIE for the economic development of the Highlands and Islands of Scotland. Along with its local partners (Shetland Islands Council, Orkney Islands Council, Comhairle nan Eilean Siar, Highland Council, Argyll & Bute Council and Moray Council) HIE has responded to a number of consultations on issues affecting development, access and management of grid infrastructure. We are working closely with Scottish Government in relation to a wide range of regulatory issues and are supporting its efforts to challenge barriers currently blocking renewables development across Scotland.

The current transmission charging methodology is highly volatile and difficult to predict. There is further uncertainty over circuit numbers and security requirements which are currently based on annuitised capital costs rather than from running National Grid's model and it is subject to significant future volatility. The range of transmission charges developers in the Highlands & Islands (H&I) can expect/predict are significant enough to pitch project economics into the realms of being viable one year and unviable the next. Clearly this is an unacceptable range and introduces too many variables for projects looking to extract energy from areas of high resource throughout the H&I.

HIE believes that the current transmission charging methodology discriminates against renewable energy generators in the Highlands & Islands of Scotland and contravenes EU Directive 2001 77 EC on the promotion of fair transmission and distribution charging for renewable energy generation.

There is an identified need for a fair, transparent and timely transmission charging regime. Renewables represent 2% of installed capacity but contribute 16% of transmission charges. The current regime is also highly volatile and uncertainty over charges has a considerable, negative impact on project economics and investor confidence.

With a transparent and fair transmission charging methodology, the proposals under GBECM-11 would not be necessary. In the absence of a fair transmission charging methodology HIE supports the intentions behind GBECM-11, because it will allow new generation projects greater flexibility in their connection arrangements. This is likely to reduce overall costs, and equally importantly gives potential generators the opportunity to choose options (such as single-circuit wood pole overhead lines) which are likely to be faster to build and less prone to public opposition.

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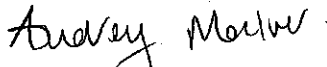


HIE strongly supports Option A over Option B, for transparency and simplicity. HIE believes that the application of Option B to the Highlands and Islands of Scotland is very likely to throw up major anomalies on which it will be difficult to reach agreement.

HIE urges National Grid to implement Option A at the earliest opportunity.

I look forward to viewing the results of this consultation on due course.

Yours Sincerely



Audrey MacIver
Head of Energy
Key Sectors

On behalf of a Highlands & Island Partnership comprising:

Shetland Islands Council
Orkney Islands Council
Comhairle nan Eilean Siar
Highland Council
Argyll & Bute Council
Moray Council