



SCOTTISHPOWER

Energy Wholesale

Cheryl Mundie
Senior Manager - Transmission
Ofgem
9 Millbank
London
SW1P 3GE

1 September 2008

0141 568 4469

Dear Cheryl,

Impact Assessment and Consultation CAP 148 Deemed access rights to the GB transmission system for renewable generation

Thank you for the opportunity to respond to this Impact Assessment and Consultation Document. This response is submitted on behalf of ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Renewable Energy Ltd.

ScottishPower supports a connect and manage approach with socialised costs in order to facilitate the delivery of renewable generation within a timescale consistent with project development timetables and consistent with delivery of the government's renewable targets.

ScottishPower believes that all generation technologies should compete on a level playing field and that there should be no discrimination in favour of any particular technology.

2.1 Do respondents consider that we have appropriately identified the key elements of CAP148 and the key areas of impact?

The CAP148 Impact Assessment has identified the key elements and impacts.

2.2 Are there any other factors that respondents would like us to consider, providing comments where possible on the impact of any factors raised?

The Impact Assessment implies that connecting more renewable generation would increase costs to customers because of changes to the Renewable Obligation. ScottishPower would argue that Ofgem should be considering how to meet the government renewable energy commitments at least cost. The Impact Assessment implies, by extension, that it would be in the best interests of customers if no renewable generation was to connect and is clearly contrary to meeting government renewable generation targets. Failure to meet EU renewable targets is expected to result in financial penalties which have not been considered in this Impact Assessment.

ScottishPower Energy Wholesale, Cathcart Business Park, Spean Street, Glasgow G44 4BE
Telephone 0141 568 2000

3.1 Do respondents consider that we have appropriately identified, and where possible quantified, the impacts of CAP148, including environmental impacts? If not, what additional quantification is required?

We do not believe that the “ROC Payments” should be included in the impact assessment (Table 3). While we understand the derivation of the “additional ROC costs” in Table A.17 we believe that the intent of the Renewables Obligation is to achieve a target level of renewable generation and that the additional cost should not be attributed to CAP148. Indeed bringing the connection of renewable generation forward delivers greater value for money to consumers as currently the buyout has to be paid whether or not renewable generation connects.

Perpetuating the delay in deployment of renewable technologies, in particular novel technologies such as wave and tidal generation, may lead to a significant loss of opportunity for the development of a major renewable technology industry within the UK and Scotland in particular. Developers may decide to test prototype and pre-production technology outside of the UK and this may lead to production moving overseas. This loss of economic opportunity has not been identified or considered within the report.

We do not consider that it is appropriate to consider the impact on “visual amenity” of earlier deployment of renewable generation (3.77) within this impact assessment. This is an issue which is addressed within the planning process and is outwith the remit of this impact assessment.

3.2 Do respondents consider that we have appropriately considered the extent to which these impacts may differ between the different CAP148 variants? If not, what further work is required?

We do not consider that the anti-competitive nature of administered pricing within the original CAP148 proposal has been fully considered. The removal of the right of certain market players to participate in the balancing services market would have severe implications for the whole balancing services market and not simply in the areas affected by constraints.

3.3 Do respondents consider that there are additional impacts that have not been fully addressed? Where respondents consider that there are additional impacts, what are these impacts?

The impact assessment has not considered the potential additional revenues from DTEC users for the use of the transmission system. Using the current TNUoS charge as a proxy for the DTEC charge and considering that the bulk of the additional renewable generation would locate in Scotland where TNUoS charges are disproportionately high, the additional revenue would make a significant impact on the economic assessment of the proposal. The exact method of utilising the additional revenues was not considered within the proposal and could either be included within TNUoS revenues thus reducing the residual charge element to all users or offset against any additional constraint costs within BSUoS (see 3.6 below).

3.4 Do respondents wish to present any additional analysis that they consider would be relevant to assessing the direct and indirect impacts of the proposals?

ScottishPower refers you to the Cambridge Economic Policy Associates Impact assessment which was commissioned by the BWEA on behalf of the industry.

3.5 Do respondents have any views on the implementation issues associated with CAP148, including the nature, scope and development timescales for consequential changes to other documents?

We believe that the timescales proposed for implementation are achievable and consistent with the proposal that eligible DTEC generators be allowed to connect and generate within either a 3 or 4 year timescale from obtaining the relevant consents.

3.6 Do respondents have any views on the appropriate treatment of DTEC generators within the transmission charging methodology, or on the extent to which the impacts of CAP148 might be expected to vary depending on whether the additional transmission costs associated with CAP148 are socialised across all users or allocated to DTEC generators through cost-reflective charges?

We do not believe that the impact assessment has adequately considered the impact of the additional Use of System revenues paid by DTEC users. In the original CAP148 proposal, DTEC users would pay TNUoS as a proxy charge for DTEC without National Grid having carried out the associated wider works. These additional revenues could be treated in two ways:

If included in the normal TNUoS revenue, then the additional revenues would result in a lower residual charge to all users of the transmission system and ultimately we would expect this benefit to be passed through to consumers.

If treated as an “offset” to the increased constraint costs considered to arise as a result of the connection of DTEC generators, the additional DTEC revenue would reduce BSUoS charges paid by both generators and suppliers using the GB transmission system and would be expected to reduce the impact of the cost of constraints on consumers.

Given that the majority of generation eligible for DTEC would be connecting in Scotland where TNUoS charges are disproportionately high, the impact of TNUoS payments by DTEC users should be evaluated and not underestimated.

3.7 Do respondents wish to present any alternative arguments on legal grounds in relation to the discrimination issues arising under CAP148?

No.

3.8 Do respondents consider there are any further risks and unintended consequences associated with CAP148 which the Authority should consider in reaching its final decisions?

We believe that there is a serious risk of lost economic and social opportunities if the deployment of renewable technologies is not facilitated consistent with project deployment timetables. See 3.1 above.

4.1 Do respondents wish to raise any specific issues regarding the Authority's minded-to position?

We believe that the Impact Assessment is seriously flawed through its inclusion of additional ROC costs and the absence of additional use of system revenues from DTEC generators. We would anticipate that with the amendment of these items that the Net Costs under each scenario in Table 3 would be much lower and that a qualitative assessment would result in a "minded to" position to accept the proposed Amendment.

We are concerned that if the assessment of costs and benefits is not amended in this case that a precedent will be set which will exclude the adoption of any amendment which would support the accelerated deployment of renewable generation including those under TAR.

5.1 Do respondents have any views on both the process and timetable that are proposed for the Authority making its final decision on CAP148 and for publishing those decisions?

ScottishPower is concerned that the Authority has taken the interaction with the Transmission Access Review into account when assessing this proposal. Amendment Proposals should be considered on their own merits and not in conjunction with processes which are underway but have yet to report and whose conclusions are still uncertain. The assessment of CAP148 should not be influenced by whether a "better" solution may emerge from the TAR process.

I hope you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

James Anderson
Commercial & Regulation Manager