



ATCO Power Generation Limited

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Consultation Response - Transmission Charging and the GB Wholesale Electricity Network

Part 2 – A DTI consultation on transmission charging, in context of the Government's policy objectives for growth in renewables

Definition of a Rebate Site

It is widely appreciated that preferred locations for economically viable renewable technologies (ie onshore wind, hydro, energy crops and forest waste) tend to be in less densely populated areas. In particular wind speeds are higher in the north, hydro is more suited to elevated areas and crops and forests lend themselves to the rural environment. All of these are, by definition, removed from population centres and as such likely to be subject to higher transmission charges.

With this in mind ATCO consider that DTI's preferred option (b) "lower charges for renewable generators located in peripheral areas" is too prescriptive in its location of signals for renewables.

In being prescriptive, concentrating on Northern Scotland (ie Highlands & Islands and Argyll & Bute) and setting its definitions to accommodate a particular view on for preferred areas, the DTI is ignoring a vast areas of the UK that have high transmission charges and would benefit from a reduced charges to encourage renewable development.

For example, Dumfries & Galloway, Borders, Northumberland and Cumbria all have large potential for onshore wind, hydro, energy crop and forest waste. At a regional level these regions do not meet the criteria for a preferred area, as defined by the DTI (20 people per square km). However, within each of these regions there are areas that have population densities that are peripheral and these tend to coincide with high transmission charges. These areas would benefit from the assistance provided by reduced transmission charges, thereby encouraging renewable generation connections.

ATCO therefore consider that the Government's aim in encouraging generation from renewable sources is better served by option (a) in the consultation paper "lower charges for all renewable generators" with a discount in percentage terms against the published transmission charge.

In order to address the DTI's concerns of unnecessary boost to renewable, in areas where generation transmission charges might be low or moderate, ATCO propose a fixed percentage rebate/reduction of the published transmission charge for a specific zone be adopted in order that the benefits diminish in a more moderate zone.

Definition of Eligibility.

It is inherent in the very nature of the low population density areas that distribution & transmission assets are scarce. The corollary of this is that connections to the nearest suitable point on the grid for renewable projects in these areas tend to be long. The distances involved are typically such that consideration needs to be given to the issue of how a project's eligibility is defined. Should this be governed by its physical location or where it is electrically connected to the grid? Since the grid charges are determined by a project's point of connection to the grid, and it is the grid charges that this initiative is addressing, ATCO believe that the definition of eligibility should focus on the connection point rather than the project's physical location. There is little prospect that this will result in projects near the borders of any areas qualifying for rebates electing to have longer connections than necessary to avail themselves of any rebate since:

- a) the higher capital costs of such an extended connection will be a significant deterrent when compared to the modest level of rebate likely to be available; and
- b) pursuing such an approach would present substantial problems in achieving planning approval which a project promoter would not wish to risk.

Should you wish to discuss any of the items raised in this letter please do not hesitate in contacting me (0207 227 3188).

Yours Sincerely



Richard Hatton