



Highlands & Islands ENTERPRISE

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Your Ref:
Our Ref:

Mr David Haldearn
Director, BETTA
Office of Gas and Electricity Markets
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Dear David

Transmission charging in the context of the Government's policy objectives for growth in renewables.

Thank you for the opportunity to respond to the above document. I apologise for the lateness of this response but hope that it can still be taken into consideration by Ofgem.

Within an area that is recognised as having access to the largest natural resource for the development of renewable energy within Great Britain (GB), Highlands and Islands Enterprise aims to promote access and development of these resources for the benefit of GB and to ensure that the potential burden of developing such projects and moving the electricity to market fall to all users within GB and not solely on the generators and customers within the Highlands and Islands.

Within the Highlands and Islands, HIE represent generators who will be directly impacted by your proposals contained within this consultation. We warmly welcome this initiative in recognising the additional burden that generators within the Highlands and Islands will face with the introduction under BETTA of a GB wide transmission-charging regime.

Lower Charges for all renewable Generators

We agree that the "postage stamp" or uniform discount approach to transmission charging will not target rebates to those generators who will be impacted by high transmission charges. Within the existing Generation Transmission Charging zones in England and Wales there are wide variations as to transmission charges and additional rebates to those generators in low cost zones will be an unnecessary waste of money and do little to increase renewable generation within those areas.

Lower charges in peripheral areas



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It is imperative that any rebates on offer are carefully targeted to maximise the efficient development of renewable generation in those areas where there is an abundance of natural resource for renewable energy. We would strongly support the targeting of a transmission rebate within the SHETL area. This approach will be less of an administrative burden than either the lowest population density approach or the average number of 20 people per square kilometre. By adopting the approach of applying the rebate to the highest cost transmission area relief is provided where it is most needed and reduces the bureaucracy involved in administering the system.

It must also be remembered that due to the classification of the 132kv system in Scotland as Transmission rather than Distribution many smaller generators will be disadvantaged as compared to their England and Wales counterparts by having to pay costly TNUoS charges. This rebate may go some way to redressing this unfortunate imbalance.

Size of Rebate or Discount

We feel that the 50% rebate level proposed may not be at a level required to ensure that the Government reaches its renewables target by 2010. To this end we propose a level of 75% discount to all renewable generators within the SHETL area on the transmission charge they would otherwise pay as compared to that charged in the next highest transmission charge zone.

Offshore Wind

Our view would be to include Offshore wind within the SHETL area for targeted rebates but would not view Offshore wind in general to be disadvantaged under transmission charging on a GB wide basis.

The Role of ROCs

The consultation discussed how transmission charging might support the ROC mechanisms in Scotland and England/Wales. We are aware of considerable disquiet within the renewables industry and its financiers over the long term viability of ROCs to support future renewables. New price signals which could be seen as 'ROC management' would further increase this anxiety and negatively impact on investor confidence.

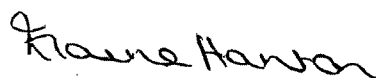
Definitional Issues

Our preference regarding a definition for renewables would be to use the definition within the European Renewables Directive which we believe more truly reflects the varieties of renewable energy and includes Hydro plant with a net capacity of 20MW or above which is currently excluded from the Renewables Obligation definition. The current proposals regarding the extension of co firing biomass under the Renewables Obligation will, if implemented, provide substantial incentives to co firing biomass. This additional incentive of a rebate on transmission losses is not required and is indeed excessive.

Other Issues

Finally, we are concerned that the long awaited consultation on smaller generators issues has still not been published. That consultation could majorly impact on renewable development, especially in the Highlands and Islands, and should be issued as a matter of urgency.

Yours sincerely



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Senior Development Manager (Renewables)