

## Meeting the renewables challenge in Scotland

**Energy regulator Ofgem has a role to ensure that the gas and electricity markets contribute as efficiently as possible to the Government's climate change programme.**

**In particular, Ofgem is working to reduce barriers preventing renewable generators from connecting to the transmission network.**

Connecting renewable generation is one of the key issues for the price control review Ofgem is carrying out for the four companies which own Britain's high-voltage electricity networks and the high pressure gas transportation system:

- National Grid Electricity Transmission Limited (NGET)
- Scottish Hydro-Electric Transmission Limited (SHETL)
- Scottish Power Transmission Limited (SPTL), and
- National Grid Gas.

This will result in price controls being set for 5 years from April 2007 to March 2012.

### Connecting Scottish generation

The Government has set a target for 10 per cent of all electricity to be generated from renewable sources by 2010, rising to 20 per cent by 2020.

In Scotland, higher targets have been set by the Scottish Executive for generating 18 per cent of electricity from renewables by 2010, and 40 per cent by 2020.

Scotland already has about 2 gigawatts (GW) of renewable capacity and the Executive targets equate to 3 GW by 2010 and 6 GW by 2020.

There has been a significant rise in requests made by renewable generators to connect to the high-voltage networks in Scotland. Plans for around 14 GW of wind farm generation have been put forward.

Most of these are currently awaiting planning consents and are in a queue for transmission connections.

This queue has emerged because upgrades to the Scottish transmission system would be needed if all of these projects were to go ahead.

The generators waiting in this queue are concerned about delays in getting connected and the financial commitments they have to make for transmission connections.

## Financial commitment

NGET currently treats applications on a first-come-first-served basis. Generators wanting connections have to put a financial guarantee in place for the total amount of the construction costs for the connection and any associated network reinforcements.

Once they are connected their financial guarantee falls away, and they only pay annual charges for transmitting their electricity. However, some generators find it difficult to raise the finance for their financial guarantee for connection which can be potentially high.

The queue is made up of projects in various states of readiness – most are waiting for planning permission but many are not able to finance the connection costs.

Ofgem believes that the current system could be potentially preventing viable projects from getting connected quickly enough to contribute to Scotland's renewable energy targets.

## What can Ofgem do to address the queuing issue?

In the March 2006 consultation for the price control review, Ofgem has proposed that generators could signal their readiness by making a financial commitment to pay transmission charges once a connection is built. However, the financial guarantees they currently have to provide to secure that connection would be reduced.

### **This change could also benefit customers and the transmission companies alike.**

- The transmission companies would receive greater assurance that once finished, the connection would actually be used. It would also allow them to plan more effectively for investment in new connections.
- The risk of transmission assets being built and not used would be shared more appropriately between transmission companies and customers.

## What steps has Ofgem taken previously to help renewable generation in Scotland?

Ofgem took steps in the current price control for SHETL and SPTL to allow the companies £560 million extra investment to upgrade transmission systems in Scotland and the north of England so that more renewables generators could be connected.

This funding is available for 10 projects which were identified by the companies. Ofgem took steps to make this investment available in order to minimise delay to the growth of renewables.

### **For further information please contact:**

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