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Dear Hannah

RIIO-T1: Transmission companies' business plans

The Renewable Energy Association gives below its views on the business plans published by the Electricity Transmission companies at the end of July. As you know our members work on all types of renewable power and heat projects including many electricity generation projects that are dependent on the transmission system.

We have not studied all of the published material, concentrating instead on the documents of about 100 or 50 pages (depending on company) giving a high level view of their plans over the period 2013 to 2021. This is because we do not think it appropriate to comment on individual detailed schemes some of the more technical aspects of company financing for example. We do never the less have a few observations on what we have read and share them with you below.

Key observation – still insufficient recognition of the importance of the SQSS

It is clear that the requirement for transmission capacity is expected to increase significantly between now and 2021 and the rate of increase in the requirement for new capacity is going to be much higher than it has over the past decade. The plans give a requirement for about £20bn of expenditure over the period so it is of great importance that the need for the expenditure is robustly justified. Equally it is essential that it is clear that reinforcement is being rolled out fast enough so as not to delay the commissioning of low carbon generation projects or constrain their operation when commissioned more than necessary.

Central to determining the need for new transmission infrastructure is the SQSS. The latter is also central to determining the volume of constraints. It is therefore regrettable that although a fundamental review of the SQSS has been in

progress for several years some of the more fundamental aspects of it have yet to make any progress. We do acknowledge and welcome the developments that have and are taking place with some aspects of it for example the treatment of investment for intermittent generation but see it as a major failing of timing that it was not completed before setting the base line investment plans for the next eight years.

In terms of reliability customer feedback that "the present levels are about right" does not indicate a well considered thought process in the absence of information about how changed levels of investment / operational security standards would change the level of reliability enjoyed and what the cost implications of a change would be. We are aware that some information has been made available recently on this but it is limited in scope.

Levels of reliability of 99.9999% seem superficially to be acceptable but with no analysis of the additional cost or saving of either adding an additional "9" after the decimal point or indeed having one fewer "9" we do not know how anybody can form a judgement as to whether the current level is the optimum one. We are aware that the analysis required to provide this information is not straightforward but in view of the amount of expenditure that it may be possible to avoid (or alternatively the amount of additional expenditure that may be justified) we think that significant effort should be put into this exercise.

We are aware that NGC has stated that it will undertake some stakeholder engagement on this in the autumn and we welcome this.

The need to avoid preventing low carbon generation from gaining access and operating

We mentioned this above and would like there to be more in the plans on policy in making anticipatory investments to facilitate maximum low carbon generation. Generally such investments would be relatively low cost for example preliminary consenting and engineering work. The costs of investing too late in transmission are generally accepted to be greater than the risks associated with well chosen anticipatory investments to provide options for the transmission owners to proceed with the construction stage of specific reinforcements in a timely manner when the definite need crystallises.

We also look forward to further details on the overarching incentive arrangements for lowering the carbon intensity of energy flows.

We now provide brief responses to some of the questions that you specifically asked.

Do you consider that the plans are comprehensive and well-justified? Do they provide a clear understanding of what the company will deliver over the price control period?

The plans appear to be well justified if one ignores the general acceptance of the current SQSS to justify future investment. We have not examined (and suspect that the plans to not contain) justification for the individual schemes that collectively make up the plans.

Have the views you provided to the network companies been reflected in their plans?

We accept that the companies have been making genuine and comprehensive efforts to seek the views of stakeholders, although without necessarily being willing to provide all the necessary information for customers to provide an informed opinion on for example the trade off between cost and security.

Do you consider that the companies have clearly identified and justified revenue allowances in their business plans to cover their network investment requirements?

We do not give any opinion on the reasonable cost of specific schemes or indeed whether specific schemes are justified under the current SQSS. Clearly without justifying the current SQSS, which the companies should have done by now (or recommended changes to it) we cannot agree that the revenue allowances can have been justified in any absolute sense.

Do you consider that the companies' plans set out an appropriate strategy that they will employ to play a full role in delivering a sustainable energy sector?

It is clear that the transmission companies role in delivering a sustainable energy sector is dominated by its ability to connect in a timely manner and then avoid constraining low carbon sources of generation. Whilst some components of a strategy to achieve this are in the plans it would be useful to bring all topics associated with the together to include for example additional material on anticipatory investment (in the lower cost early stage aspects of reinforcement) and operational strategies to minimise constraints.

Do you consider that the plans present a comprehensive consideration of the sources of uncertainty they face, their potential impact on output delivery and a clear strategy for seeking to address uncertainty in the long term?

There is a reasonable discussion of sources of uncertainty and risk although there is no mention of some known risks for example loosing part or all of an outage season due to an outbreak of foot and mouth disease or similar. The major risks and uncertainties may however lie in the "unknown unknowns"

We hope that you find these comments useful. Please let me know if you would like to discuss them further.

Yours sincerely

Gaynor Hartnell

Chief Executive, Renewable Energy Association