



Scottish Council for  
Development and Industry

## POLICY SUBMISSION

### NATIONAL GRID ON GB ECM-25 REVIEW OF INTERMITTENT GENERATION CHARGING

**July 2010**

SCDI is an independent and inclusive economic development network which seeks to influence and inspire government and key stakeholders with our ambitious vision to create shared sustainable economic prosperity for Scotland.

For more information on this response please contact the SCDI Policy Team at

Campsie House  
17 Park Circus Place  
Glasgow  
G3 6AH

**e** [policyteam@scdi.org.uk](mailto:policyteam@scdi.org.uk)

**t** 0141 332 9119'

## Intermittent Generation Charging

1. SCDI is an independent membership network that strengthens Scotland's competitiveness by influencing Government policies to encourage sustainable economic prosperity. SCDI's membership includes businesses, trades unions, local authorities, educational institutions, the voluntary sector and faith groups.
2. SCDI's recently published *Blueprint for Scotland*, its Action Plan for Growth<sup>1</sup>. In this, SCDI welcomes the changes which have been made to the transmission access regime, but expresses concern that the current system of transmission charging results in higher charges for Scottish based generators which can be perceived as a disadvantage to those companies developing renewable energy projects in areas where there is the UK's best and most reliable sources of renewable power. SCDI has supported proposals for UK transmission network charges being levied at a uniform rate for each unit of energy that enters the system and endorsed the recommendation from the UK Parliament's Energy and Climate Change Committee for an independent review of locational charging.
3. In its *Blueprint for Scotland*, SCDI also looked forward to National Grid's proposals on *Intermittent Generation Charging* and stated that charges for wind generators which better reflect their variability would be a welcome step. However, SCDI also hoped that the proposals would support other technologies and reduce charges for generation on Scotland's Northern and Western Isles.
4. SCDI therefore welcomes the publication of this consultation by National Grid. We understand that these proposals could reduce the uplift for wind generation in Scotland by around 30%. This could be a useful interim change. However, SCDI has some concerns about the proposals which we set out in this response. Our broad membership continues to support a fundamental and independent review.

## UK Renewable Energy Targets

5. An independent report on *The Future of Electricity Generation in Scotland* commissioned by SCDI found that Scotland can exceed its target of 50% of electricity from renewable sources by 2020 and maintain power exports to England and Northern Ireland. This would enable the UK to achieve its renewable electricity targets. The report projected that onshore wind would provide more than 80% of the increase in Scotland's renewable electricity by 2020. Expansion at this rate would require £10bn of investment in new electricity generation. In a competitive global market, this finance will only be attracted if there is a stable, attractive and reliable market environment for projects.
6. The current charging system has been designed to incentivise location of centralised electricity generation as close to the demand centre in the South East as possible. This is counter-productive to intermittent generation projects in

---

<sup>1</sup> <http://www.scdi.org.uk/downloads/SCDIBlueprintforScotland.pdf>

Scotland which – given their resources and scale - cannot simply be relocated. The only realistic alternative to onshore wind generation in Scotland - if the UK is to achieve its challenging commitments for renewable electricity generation - is further offshore wind generation in England, which would be far less cost-effective. High charges under the existing regime are a barrier to efficient generation and these proposals do not address this underlying policy disconnect.

7. In addition, there can be significant volatility and unpredictability of charging under the current system because it is recalculated on an annual basis. This may discourage investment in viable projects if there is a concern that an increase in charges would make them more marginal. The proposals do not tackle this issue.

## **Methodology**

8. SCDI appreciates that National Grid has had to balance the development of workable proposals in reasonable timescale with detailed analysis of a highly complex area. However, SCDI is aware of concerns that the scaling factors which have been used for intermittent generation, nuclear and CCS, and peaking plants are not justified by their true impact on investment. Industry can help to reduce these knowledge gaps by providing data, for example from wind farms.
9. It is questionable whether the relative simplicity of the methodology proposed works in the context of the current transmission charging regime. The final proposals should be consistent with ongoing reviews into intermittent generation and security of supply rather than leading to different or conflicting cost signals.

## **Highlands and Islands**

10. By far the highest transmission charges are faced by generators in the Highlands and Islands. SCDI understands that transmission charging for some projects in the Highlands could fall by up to 5% under these proposals which, while welcome, is likely to have a marginal impact. Moreover, because their grid networks are not included within the existing definition of the national grid and, therefore, the scope of this consultation, there would be no reduction for generators on the Northern and Western Isles. This reinforces the need for a fundamental review of transmission charging which includes consideration of how to enable generation from the Islands' high-capacity renewable resources.
11. In addition to their contribution to UK supply and targets, renewable energy is a once-in-a-generation socio-economic opportunity for communities on the Islands.

## **HVDC “Bootstraps”**

12. The Electricity Networks Strategy Group, of which National Grid is a member, has proposed the development of West and East coast HVDC “bootstraps” to transmit renewable electricity from Scotland to England. However, the consultation does not address technologies, such as HVDC, which are more expensive than overhead wires. Potentially the combined impact of the charging methodology in these proposals and for HVDC interconnection could reduce,

negate or even reverse the benefits which National Grid envisages. Modelling should be undertaken to clarify this and avoid any disincentive to investment.

## **Conclusion**

13. SCDI welcomes the initiative which National Grid has taken with this work. Among the notable findings for future decisions, it has shown that overinvestment in transmission infrastructure can be more economic than underinvestment. The consultation recognises that the current system of transmission charging does not reflect the cost of intermittent generation on transmission infrastructure investment and that it does have an impact on the development of projects. The resulting proposals from National Grid could be a step in the right direction.
14. The proposals do not, however, reflect the fundamental changes which are required. SCDI believes that a new regime, such as the postage stamp proposal, would be simpler, enable investment and be better aligned with the Government energy policy objectives. Following the announcement by the UK Government, SCDI looks forward to a fully independent and fundamental review of charging.

**Gareth Williams**  
**Head of Policy**  
**Scottish Council for Development and Industry**