

## **OFGEM TRANSMISSION ACCESS REVIEW**

### **Enhanced Transmission Investment Incentives: Initial Proposals**

**November 2009**

Response by Community Energy Scotland

Community Energy Scotland is an independent Scottish Charity, actively supporting and funding community groups throughout Scotland to develop sustainable energy projects. Our aim is to build confidence, resilience and wealth at community level in Scotland through sustainable energy development.

There is a growing awareness of rising energy costs, the problems of climate change and security of energy supply amongst communities in Scotland. With this awareness, communities are growing increasingly keen to find ways in which they can develop projects which will bring long-term benefits to their local community in the longer-term and provide a sustainable future for all who live there.

Community Energy Scotland supports community projects from micro-generation to 9MW to generate renewable energy across Scotland. The majority of grid-connected projects are wind based in Western Isles or Northern Isles of Scotland; this is due of the abundant resource available in the islands. To date projects have been mainly around 900kW in size and this is partly due to communities trying to maximise the size of development but having to constrain to under 1MW due to weaknesses in the Local Distribution Network.

The communities in the Scottish islands are very aware of climate change and its threat to everyday life and as a result many communities CES represent are adopting the Government's renewable energy targets as their own and developing significant amounts of generation. There are 24MW of community generation in WI with planning permission and over 7MW in Orkney. The number of pipeline projects is increasing substantially but before communities commit significant resources to their projects they need to have assurance that they will be able to export within the next few years and that their grid connection costs will not render their project financially unviable.

Community Energy Scotland support the full range of projects identified by the TOs for Scotland as currently developers are hampered by uncertainty over grid connections. In particular Community Energy Scotland is very supportive of the Hunterston-Kintyre link and Western Isles HVDC link as there is great renewable energy potential in these areas which will be developed as a result of the export capability being improved.

#### **CHAPTER: One**

There are no questions in this chapter.

## **CHAPTER: Two**

### **Question 1: Do respondents consider we have appropriately summarised the views of respondents to our September consultation?**

Community Energy Scotland supports the view that progress towards a truly anticipatory approach is too slow, particularly given the potential that renewable generation has in Scotland and its importance in meeting the Governments renewables targets.

Community Energy Scotland also supports the view that an Orkney link should be seriously considered due to the huge potential in marine and wind resource.

### **Question 2: Do respondents have any comments on the initial findings of our consultants or views on the issues raised by the TOs?**

The case for the Western Isles HCDV link is proven by the scale of resource in and around the Western Isles and the volume of potential generation in the advanced stages of development. Many communities are having to hold back from developing projects as there is uncertainty over available grid capacity and the HVDC link is taking too long to come to realisation.

- Community Energy Scotland is supporting seven Community Energy wind projects in the Western Isles which have planning permission for 24MW in total.
- There are 234MW of generation with planning consent in total (private and community) and a further 278MW in planning in the Western Isles which shows a clear need for the HVDC link.

## **CHAPTER: Three**

### **Question 1: Do respondents have any comments on our proposed funding framework for additional investment within TPCR4?**

No Comment

### **Question 2: Do respondents have any views on the appropriate funding mechanism for provision of pre-construction funding?**

The weakness of the Distribution and Transmission networks is currently a barrier to investment in renewable energy developments in Scotland, particularly in the West and North. Projects in the Western Isles and Orkney are currently having to invest in significant upgrades to the Local Distribution Network and therefore added costs to pay for investment in the Transmission system will prohibit some developments proceeding. One 900kW project in Lewis has been quoted nearly £600,000 to connect due to the need for voltage stabilisation. This accounts for one third of their connection costs.

There are a considerable number of further community projects keen to develop grid-connected renewable energy projects in Western Isles but they need more certainty that the HVDC link will be built soon and with enough capacity to accommodate them. Transmission Operators should be aided to look where the renewable resources are and strategically invest in the necessary infrastructure. The costs and risk should not all be transferred to the developers.

**Question 3: Do respondents have any views on our proposed approach to identifying projects eligible for construction funding?**

Community Energy Scotland are currently supporting over 85MW of community generation across Scotland which are working towards commissioning over the next 4 years. There are a further 55MW of pipeline community projects coming forward and this number is steadily increasing. The communities are looking to build in some of the best wind sites in Europe with many at over 40% capacity factor. They are also taking advantage of the huge hydro potential in Scotland. The biggest stepping stone for most of these projects is the availability of grid capacity, especially in rural areas where the renewables resources are most abundant.

Developers connecting to the LDN in Orkney are currently being offered curtailed grid connections. These are some of the best wind sites in the world, with existing wind installations averaging over 50% across the year. The weak LDN and lack of transmission system are prohibiting development of community renewables in some areas, reducing the potential size of projects in other areas and severely constricting the potential income of projects in Orkney. A similar situation may soon develop in the Western Isles if the HVDC link is not realised.

In order to take advantage of the huge marine, wind and hydro resource in Scotland and Transmission Operators should be encouraged to look at where the renewable resources are most abundant and to strategically invest the infrastructure needed. This is the only way that the Government will meet its targets for renewable energy.

**Question 4: Do respondents have any views on our proposal to fund construction costs up to the end of TPCR4 for specific projects? Do respondents agree that it may be appropriate to provide funding up to an earlier end date for projects in certain circumstances?**

Community Energy Scotland does not agree that there is any uncertainty over the need for the HVDC link to the Western Isles. With 512MW of identified projects in development the need is clear.

**Question 5: Do respondents agree that the same rate of return should apply as for other investment undertaken within TPCR4?**

No comment

**Question 6: Do respondents have any views on the appropriate treatment of projects beyond TPCR4 or on any interaction with our decision on the timing of TPCR5?**

No comment

**Question 7: Do respondents have any comments on any other aspect of our Initial Proposals?**

No comment

**CHAPTER: Four**

**Question 1: Do respondents have any views on our proposed approach for taking forward our work on TO incentives to facilitate further investment within the current transmission price control?**

Ofgem should continue to invest during TPCR4 to maintain momentum and to prepare the network for the step up in renewable generation anticipated during TPCR5. The foundation should be laid now for very significant anticipatory spend during the next price control period.

**Question 2: Do respondents have any views on our proposed consultation process going forward?**

No comment