

Nicola Medalova
Head of Market Change (Electricity)
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

29 June 2017

Dear Nicola,

National Grid open letter consultation on investment ahead of TEC guidance

RenewableUK is the leading trade association in the UK for renewable electricity, representing over 500 members across the value chain for onshore wind, offshore wind, and wave and tidal energy. Our members include many companies working hard to reduce the overall cost of developing, constructing, connecting, and delivering renewable power to the UK consumer.

Scottish Renewables is the representative body for the renewable energy industry in Scotland, working to deliver a low-carbon, secure energy system, integrating renewable electricity, heat and transport at the lowest possible cost.

We have previously set out our concern that, under the current rules, the assumption that NGET is able to apply charges for investment ahead of TEC is not correct. We are therefore extremely concerned with the current open letter consultation on guidance on this issue.

It is our view that the changes set out in the consultation represent a substantive change to the charging methodology and should be addressed accordingly through the CUSC process, with appropriate evidence and analysis to demonstrate the need for and implications of the change.

We would strongly encourage NGET to address the following points before progressing work in this area;

- The consultation does not address any explanation as to the basis of costs to be recovered through the charges. it is not clear whether the cost is driven by

6th Floor, Tara House, 46 Bath Street,
Glasgow, G2 1HG
☎ 0141 353 4980 📧 @ScotRenew
www.scottishrenewables.com

Scottish Renewables Forum Limited.
A company limited by guarantee in Scotland No.200074
Registered office: c/o Harper Macleod,
The Cal'dorra, 45 Gordon Street, Glasgow G1 3PE

the SO due to concerns in TNUoS recovery, or if it is driven from the TO perspective and finance risk

- It is important that NGET acknowledge the impacts of the CfD regime on this proposal, particularly given that projects will inevitably move timescales if they are unsuccessful in one auction and seek to bid into the next. The potential risk / liability for charges must not become a significant risk to project developers and a barrier to investment.
- NGET should consider whether it would be appropriate for liabilities / charges to be reciprocal if developers are willing to agree to a delay charge. For example, if the delay is due to the TO or NGET, then NGET should accept an obligation to pay a contracted developer or project compensation for delays ('liquidated damages') based on the additional costs or losses incurred by the developer or project.
- There is a need to fully consider and identify the requirements for Force Majeure concessions
- There is some concern that the quoted six per cent return does not reflect a regulated return under RIIO pricing, particularly if based on the cost of debt and equity

It is important to note that a delay charge may be considered as appropriate where the above points have been addressed and the following principles can be met.

- a) There is a sufficient, transparent and valid explanation for the loss or costs;
- b) It can be shown that it is reasonable that any shortfall should lie with the generator i.e. are they best placed to take it (given the wider risk and uncertainty that generators are exposed to);
- c) An accurate and transparent and fixed cost profile can be provided which shows the costs attributable to the developer or project;
- d) Sufficient advanced warning is given of delay charges which may become payable; and
- e) The developer is engaged in decision making and there is provision for a Go/No Go decision point which takes all of this into account

Scottish Renewables and RenewableUK strongly object to any further progress on changing this guidance until the above principles can be met and the relevant issues have been addressed.

Yours Sincerely,

Michael Rieley
Senior Policy Manager: Markets & Systems
Scottish Renewables

Barnaby Wharton
Head of Policy
RenewableUK

Question 1.

Do you agree with the principle that inefficient costs related to early transmission investment, which occurs as a result of a Generator request, should be recovered from the generator who makes the request?

At present the Guidance and information available is too unclear to make definitive judgment on the principle. However, as discussed in our covering letter above, we recognise that recovery of inefficient costs may be considered appropriate where certain points have been addressed and specific principles can be met.

Question 2

What are your views on the changes we are proposing to the guidance note and methodologies?

The consultation does not appear to provide any explanation for the basis of costs or additional actual costs that constitute the loss, which makes it difficult to respond.

It is our view that any changes of this nature must be subject to full impact assessment and the governance of the CUSC panel process.

Transparency and generator agreement to proceed with significant investment is of critical importance.

Should this proposal be implemented, it is our view that a transition plan is required which should allow for dates to be restated without liability for reinstatement.

Question 3

What are your views on the benefits of publishing separate guidance notes for each of the two charges currently outlined in the guidance document?

Clarification is required as to whether backfeed charges are appropriate, cost reflective or allowable under current CUSC arrangements.

The Guidance Note states that NGET assumes that backfeed would only be required a few weeks ahead of generation commencing. This may not be the case when there are significant OTSDUW assets to commission.

Earlier backfeed dates may be driven by the OTSDUW party, rather than the generator. Therefore the generator should not be charged for this. The development of the OTSDUW programme between the generator and NGET may result in an earlier backfeed than originally anticipated by the initial connection agreement.

The backfeed timescale can be impacted greatly to coordinate with TO works, associated outages and their coordination with seasonal restrictions.

Account should be taken of where the original date for works is earlier than required by the generator's programme in order to suit the TO's delivery programme (e.g. to combine with other works that are being undertaken).

