Energy Networks
Association
18 Stanhope Place
Marble Arch
London W2 2HH

t +44 (0)20 7706 5100
f +44 (0)20 7706 5101
info@energynetworks.org
www.energynetworks.org

Mr. Christopher Johnson
Clerk to Sub-Committee II
Science and Technology Committee
House of Lords
London
SW1A 0PW

11th November 2003

Dear Mr. Johnson

CALL FOR EVIDENCE: THE PRACTICALITIES OF DEVELOPING RENEWABLE ENERGY

The Energy Networks Association (ENA) is the industry body that represents licensed gas and electricity transmission and distribution companies in the UK. The ENA welcomes the Committee's decision to conduct an Inquiry into the practicalities of developing renewable energy. We believe that this issue has significant implications for future operation of the electricity networks.

We are pleased to contribute our evidence to the Inquiry on behalf of the Energy Network Sector. As such, our submission will specifically focus on aspects covered by 'paragraph b' of the Inquiry. We have highlighted a number of key points that are of concern to our members.

Planning Permission

The ENA believes that a radical new approach is required to the planning and legislative framework regulating the delivery of new major electricity infrastructure schemes.

The Industry would welcome initiatives by the UK Government/ Scottish Parliament that would expedite the permission process to ensure vital modernisation and customer connections can be achieved quickly.

We believe that current planning practice will severely impact the ability on the Industry to deliver robust and efficient electricity networks on time to meet the key demand for renewable energy production in the future. Examples of the problems faced in securing all consents for major infrastructure schemes include the delays experienced for both the Northern Ireland Interconnector promoted by Scottish Power and the Vale of York scheme promoted by NGC. Both schemes took over 10 years from scheme inception to completion. This is not unlike the delays encountered in other major UK infrastructure projects, including Road, Rail and Airport schemes.

The ODPM has published draft proposals for the reform of the procedure to obtain approval for major infrastructure projects in England and Wales. The draft paper

acknowledged the problems and the economic impact of delays to vital infrastructure schemes. These proposals are limited to schemes with a voltage of 220KV or more and a length of 15km. However the ENA believes that these criteria should be relaxed to take account of renewable schemes at lower voltages.
Notwithstanding this point, the industry welcomes many of the recommendations which will undoubtedly help in the process. However the progress of this paper through Parliament and implementation may be too late to enable the renewable commitments made by the Government to be delivered.

A further issue of concern is the disconnect between the statutory planning process as set out in the Electricity Act 1989 for generation schemes and associated infrastructure connections i.e. Section 36 and Section 37 consents. The present system respects the independence of Generators and Distribution Network Operators (DNOs) and their respective legislative frameworks. This often leads to one aspect of the project being delayed by the other. We believe that these two consents should dealt with together.

The ENA believes that a fundamental review is now required and we invite the Inquiry to consider the possibility of establishing a Special Act or Individual Orders to expedite the delivery of future major electricity infrastructure schemes. A change in process would not detract from the Industry's environmental responsibilities, but would provide more certainty as to timetable and resource planning and enable key investment decisions to be made. Without a change to the current statutory process it is difficult to envisage how the renewable energy targets will be met.

Network Infrastructure

The ENA believes that for the industry to meet Government targets and continue to provide a safe, reliable and secure network there needs to be a combination of network upgrading and extension.

Co-ordinated action by the generation developers and Network Operators will offer the least time-consuming and most cost efficient method of achieving Government targets. This approach will help ensure that we make use of suitable sites and the infrastructure capacity already available in order to handle the more dynamic power flows associated with renewable power sources. Where this is not possible, for example offshore wind, it will be necessary to significantly extend the existing networks.

Given the right Regulatory framework DNOs would be incentivised to invest in upgrading their networks to maximise their capacity to accept more distributed generation. Investments could also be made in particular parts of the network that have the greatest prospects for connecting distributed generation and where the network has a restriction in its capability that can be removed in a cost efficient manner.

Network Investment

Network development is strongly influenced by the incentives and risk exposures that the DNOs current regulatory environment provides. The present framework does not incentivise DNOs to connect more distributed generation. In addition to the regulatory limitations there are several technical and practical limitations to connecting more distributed generation. These limitations have been discussed in detail in the DTI/Ofgem Embedded Generation Working Group report, 2001. Currently these issues are being addressed by the DTI/Ofgem Distributed Generation Co-ordinating Group.

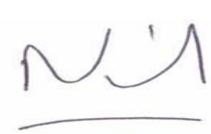
It is widely recognised that the right commercial and regulatory framework has to be in place if the appropriate practical changes are to be made to the way networks are designed and operated. We welcome the fact that Ofgem is making these renewable targets a key driver for the next price control review which is due to be implemented in April 2004. Given the degree of uncertainty over the likely reinforcement costs arising from connection of additional distribution generation, there is a clear need for a flexible mechanism that could mitigate risk, while providing DNOs with a positive incentive to act.

Ofgem needs to ensure that work continues on key issues within appropriate timescales, which requires co-ordinated, long term investment programmes, supported by a regulatory framework that allows such programmes to be implemented. In particular the ENA believes that clear statements of intent by Government and Ofgem are essential – both in respect to programme itself and the basis for future incentives for DNOs.

In conclusion, the ENA believes that Network Operators are facing major challenges to accommodate more distributed generation. As outlined above there are practical solutions which will help in achieving Government targets if implemented within appropriate timescales. These include a fundamental review of the planning and regulatory framework, a co-ordinated approach to the management of network development and the introduction of positive incentives for DNOs.

We trust that our comments will assist the Committee in its inquiry. We would be pleased to help further in response to any queries, or by giving oral evidence if that is requested.

Yours sincerely



Nick Goodall
Chief Executive