

Potential impacts of the RES Directive on transmission access and charging

4 December 2009

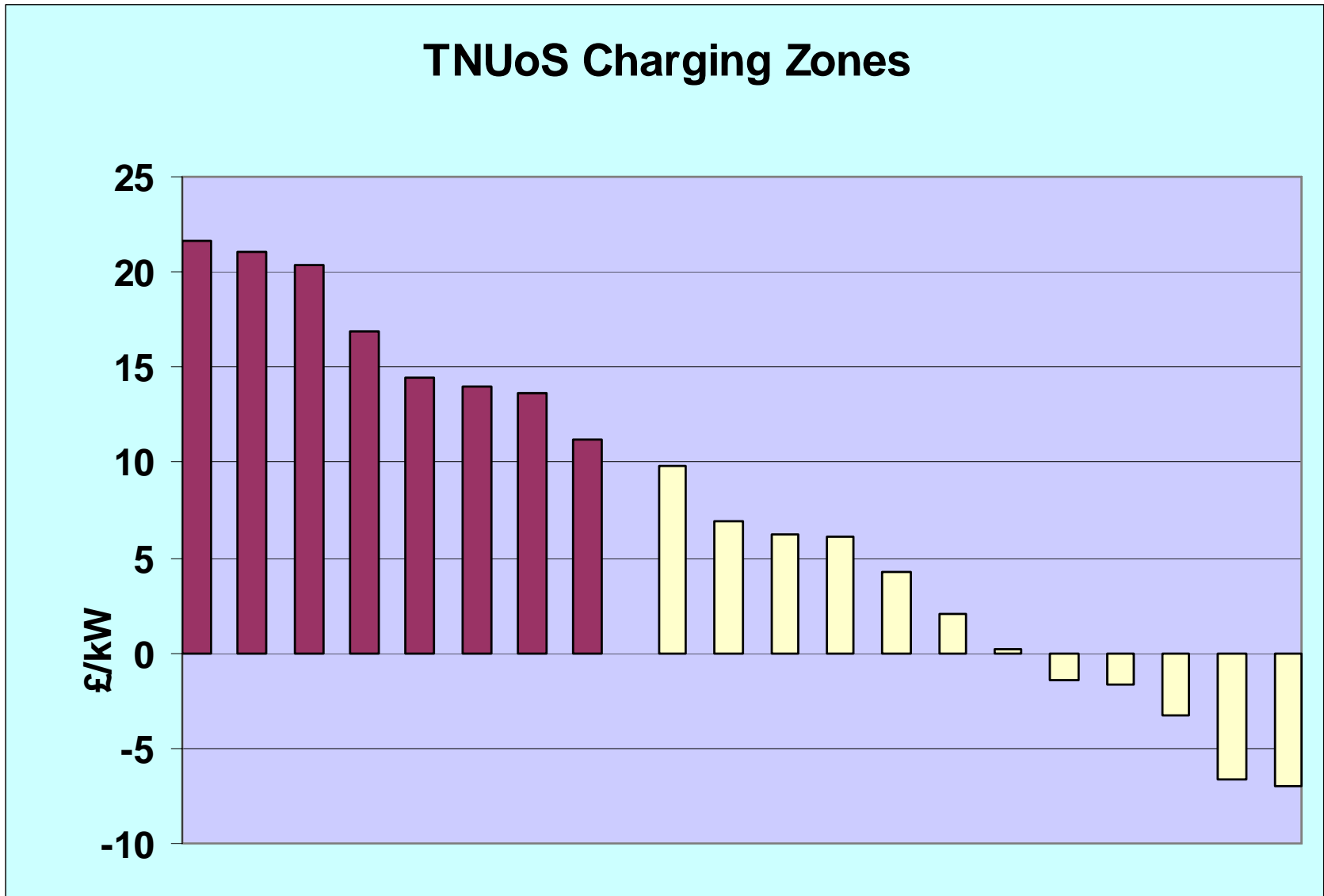
Areas of Potential Impact

- Discrimination against renewable energy sources in peripheral regions, such as islands or areas of low population density
- Distortion of cross border trade

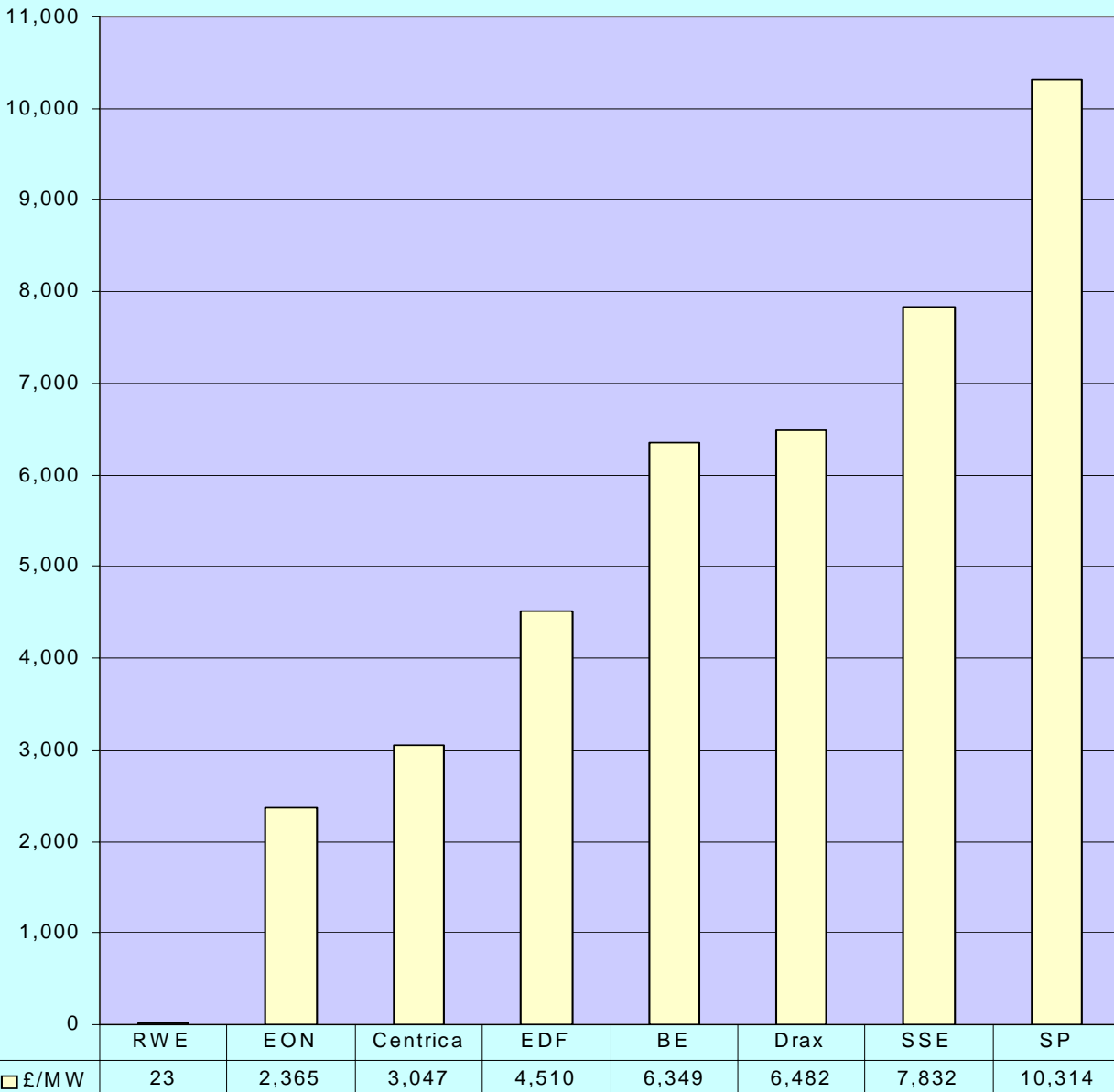
Discriminatory access and charging

- Hard to separate the issues
- Contractual access at uneconomic cost has no value
- ‘Locational’ charging approach in GB effectively discriminates against areas of low population density and by extension to renewable energy

Impact of locational charging (1)



Impact of locational charging (2)



Capacity or Energy Charge?

- Current costs based on capacity
- Discriminates against low load factor plant
 - Renewables
 - Back-up plant for renewables
 - Storage plant
 - Pumped storage double whammy

Is there a value to locational charges?

- Nearly all generation is now inflexible to locational signals:
 - Renewables must be where the resource is
 - Nuclear must be where the consentable sites are
 - Coal (and gas) have to be where the carbon transport and storage infrastructure is

Impact on consumers

- Do consumers in low transmission charge areas benefit from lower wholesale electricity prices?
- Do customers of generators who pay lower transmission charges benefit from lower wholesale electricity prices?
- If all charges are passed on to consumers, why differentiate?

Cross-border trading

- France - UK – Ireland (FUI region)
- Generator pays once in home state
- Differences in costs dealt with through the Inter Transmission System Operator Compensation (ITC) mechanism
- Cost of ITC added to domestic transmission charges

TUI Charging methodologies

- GB = locational based on capacity
- F = flat rate based on usage
- Irl = flat rate (currently) based on capacity

Anomalies

- UK – Ireland
 - North of Scotland generator has to pay £22/kW
 - South east of England generator is ***paid*** £7/kW
- Supply to England
 - North of Scotland Generator pays £22/kW
 - Irish generator pays £6/kW
 - Supplying from anywhere in France is cheaper than from anywhere in Scotland

Impact of Directive?

- Article 16.7 of the Renewables Directive makes it illegal for electricity transmission costs in Member States to discriminate against electricity from renewable energy sources, including in particular where it's produced in peripheral regions, such as the North of Scotland.
- Logically this can and should deal with the issues – but will it?

Possible obstacles

- Can the UK argue that the charging regime is cost reflective?
- Can the EU argue that the ITC mechanism compensates sufficiently for cross border trade?

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